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NEWS SUMMARY

GENERAL

South Yemen leader ousted

resident Salem Rubai Ali of outh Yemen has been executed ter being overthrown by other embers of the Marxist ational Front Party, the staten Aden Radio reported last ght.

The Front's Central Committee d accused Mr. Rubai Ali of tempting to overthrow it and of dering the bombing of the esidential palace while the mmittee was in session. Mr. i Nasser Mohammed has been pointed President and will ntinue as Prime Minister.

Aden was racked by heavy hting only 24 hours after the ıth Yemen regime denied involvement in the parcel bomb assination last Saturday of sident Ahmed Al Ghashmi of rth Yemen. Page 3

o whaling ban

ama withdrew its plan for a year ban on commercial aling at the start of the International Whaling Commission's eting in London yesterday. It ongly denied that it had been ier pressure from Japan and a £5m sugar contract had n in the balance.

The Panamanian Government s not act under pressure from body," said Sr. Roger erega, the Panamanian comsioner and ambassador to the Back Page

rsailles hit

Left-wing groups and a on separatist organisation ned responsibility for a b attack which severely aged a picture gallery in a ntly restored wing of ailles Palace, opened by ident Giscard d'Estaing six s ago. Damage to the ing alone is put at £600,000. e worst mutilation was to an painting by the French t Debret depicting Napoleon nting the first Legion of ur award. None of the s was insured. Page 2

licopter crash

een people were feared after a Norwegian helir carrying workers to the iord A offshore installation ed in the North Sea. een bodies have been ered. Three passengers killed when an Air Canada crashed on takeoff at nto. In India, 41 people were l when a bus collided with ods train at Bareilly, 150 west of Delhi.

spital all-clear

ital electricians called off week-long industrial action winning Government accept that their pay should be red to parity with the prisector. Back Page

l stalemate

nd's General Election ended adlock, with the Left gaineats but failing to secure a rity. The Progressives. d party in the ruling coalisaid they would stay out of Government but Mr. Geir rimsson, the Prime ter, has not yet indicated he will resign. Page 2; rial Comment, Page 16

ubs off

mp taken to a white-only nesburg hospital at the nd was ordered to be bed before admission, se he was so dirty that could tell whether he was or black. He turned out to ite and was allowed in.

fly . . .

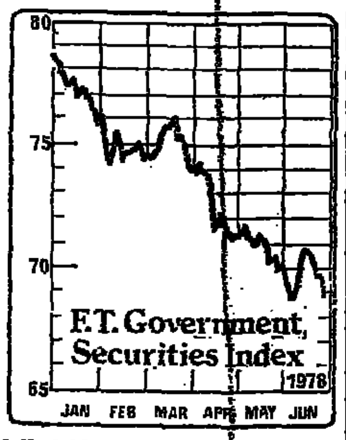
West German guerrillas, ers of the June 2 Move charged with the pted murder of two Swiss ss men, claimed to be ers of war and refused to r in court at Porrentruy, rland.

children are being drowned schools cut back on swimlessons, the Royal Society e Prevention of Accidents d.

BUSINESS

Interest fears hit Gilts, Equities

● GILTS reflected interest rate fears with losses of as much as ½ in shorts and ¼ in longs. The Government Securities index



fell 0.33 to 68.88. Attempts to rally lacked substance until late afternoon, when the shorts attracted bear covering.

● EQUITIES followed the pattern in Gilts. The FT 30-share index fell 3.3 to 453.0, its lowest since April 17.

● STERLING traded in a very narrow range against the dollar to close at $1.8495 for a rise of 5 points. Its trade-weighted index was 61.3 (61.4). The dollar's average depreciation was unchanged at 6.8 per cent. The yen soared in Tokyo after the Japanese Cabinet's Economic Council decided not to introduce new measures to cut the foreign trade surplus. The dollar reached Y204.5 before Bank of Japan intervention. Page 3

● GOLD fell $1 to $185¾ in quiet trading. The New York Comex June settlement price fell 70 points to $185.10.

● WALL STREET fell 10.74 to 812.28 on interest rate concern.

World airlines earn £1.6bn

● AIRLINES throughout the world earned an operating profit of £1.6bn last year. Back page. British Airways and British Caledonian Airways will fight to be the designated UK airline on the new London-Dallas/Fort Worth route at a hearing which starts tomorrow. Page 6

● EMPLOYMENT Appeals Tribunal ruled a worker who was expelled from his trade union had no redress against his employers for being dismissed from a factory where a closed shop existed—even though the expulsion was later held to be invalid. Page 10

● DURABLE GOODS retailers did best out of the increase in retail sales in April, according to Business Statistics Office figures. Page 7. The latest Financial Times survey of consumer confidence gave a much more gloomy result than at the time of the April Budget. Page 9. U.S. consumers are pessimistic about inflation. Page 4

● DEUTSCHE BP's £210m deal with VEBA Energy Group is being examined by the West German cartel office. Page 33

● UNEMPLOYMENT is expected to increase in all the main industrial countries as a result of continuing low rates of economic growth, according to the London-based consultants Economic Models. Page 7

● MR. JOHN ELTON, who became chief executive of Hill Samuel at the beginning of the year, has decided to retire from full time executive duties.

COMPANIES

● EATON, of the U.S., is making a $378.5m bid for Cutler-Hammer, the electronic controls company in which it acquired a 32 per cent holding two weeks ago. Page 32

● TRIDENT TV increased pre-tax profit to £4.67m (£3.61m) in the first half year to March 31. Page 30

● CATTLE'S (HOLDINGS) increased pre-tax profits to £1.5m (£1.22m) in the year to March 31. Page 28

EF PRICE CHANGES YESTERDAY

s in pence unless otherwise indicated)

RISES

e Close	75xd	+ 4½
(J.)	276	+ 4
m and Mason	675	+ 20
ck	45	+ 4
	69	+ 3
e	285	+ 13
Utd. Devs.	236	+ 21
uth	114	+ 5
c Riotinto	236	+ 6
Broken Hill	125	+ 6
rn Mining	107	+ 17
n Mining	150	+ 7

FALLS

8¼pc '80-82	£91½	− ½
Excheq. 12pc '13-17	£12½	− ½
Beecham	630	− 7
Bowater	191	− 5
Common Bros.	122	− 8
Glaxo	540	− 12
GUS A	262	− 4
IC Gas	338	− 10
Lucas Inds.	293	− 4
Minet Hldgs.	183	− 5
Mothercare	152	− 4
Pearl Assurance	220	− 8
Sotheby PB	278	− 7
Stock Conversion	228	− 10
Thorn Elect.	317	− 7
Union Discount	305	− 10
Whitecroft	207	− 5
Willis Faber	247	− 5
Siebens (UK)	318	− 10
RTZ	216	− 5

United considers £1bn order for European Airbus

BY JOHN WYLES: NEW YORK, June 26

United Airlines, the largest U.S. commercial carrier, is believed to be considering placing orders worth between $1.5bn and $2bn (£815m-£1.1bn) for the proposed B10 version of Airbus Industrie's A300 wide-bodied jet.

United's directors are expected to make a decision on August 24.

The airline has narrowed the choice to the B10 or a 200-passenger, medium range jet which the U.S. manufacturer Boeing plans to develop.

However, as negotiations move to a climax, the European aircraft is believed to be nosing ahead.

This is because the B10 could be available earlier—mid-1982 compared with late 1982 or early 1983 for the Boeing 767—and because the Airbus Industrie consortium will be able to offer a financing package based on export guarantees which Boeing may be reluctant to match.

The Airbus Industrie consortium is largely a Franco-West German undertaking with wings being built in the UK.

Although increasingly confident, Airbus negotiators are not ready to claim that the United order is home and dry. Pressures on the airline to stay loyal to domestic manufacturers are intense, although the path to ordering foreign aircraft was substantially cleared in April when Eastern Airlines placed a $778m order for 23 A300 B4 Airbuses.

Eastern also took an option on 25 B10s and, as yet, the Airbus consortium, which is dominated by France and West Germany, has not taken a formal decision to produce the aircraft, which would be a downsized version of the B4.

However, an order from United would put this decision beyond question.

It is understood that the airline has been negotiating for 25 B10s for delivery by 1982 with an option on another 40 to be delivered after 1982 at the rate of about one a month. United has indicated that its total requirement could be for 100 aircraft.

Hint

United's fleet—which is ten years old on average—is mature in comparison with some of its competitors. The aircraft it is seeking will replace 16 older versions of the DC8 and 111 Boeing 727 100s.

As it has moved towards a decision, a rival design from McDonnell Douglas has been rejected in favour of the Airbus or the Boeing.

United's priority is to acquire aircraft offering greater fuel economy than the present generation of jets and less noise. Both have been strong selling points for the A300 B4. But, since it plans to spend $9bn by 1990 on new jets and will have to find about a third of this amount from external financing, the type of credit offered to United could be crucial if there is not much to choose between the Airbus and Boeing designs.

Mr. Richard Ferris, United president and chief executive hinted at the end of April that guaranteed financing on United's order might give Airbus the edge over Boeing.

This is a new and a distasteful experience for Boeing and the other U.S. manufacturers who have been free of any serious competition from Europe for more than a decade.

One of the most significant aspects of Eastern's order was that it broke through a prejudice against European aircraft which stemmed from U.S. airlines' disappointing operating experience with European jets during the 1960s.

Another important factor is that a number of reputable aviation industry observers returned last month from a visit to the Airbus plant at Toulouse impressed by what they had seen and heard.

Mr. Edmund Greenslet, of Merrill Lynch, for example, believes that the B10 will limit the potential of Boeing's 767 programme.

Callaghan air talks Page 4

S. Africa seeks pledge on U.S. nuclear package

BY DAVID FISHLOCK, SCIENCE EDITOR

SOUTH AFRICA has asked the U.S. Government for firm guarantees for a controversial package of nuclear fuel services, in exchange for signing the nuclear Non-proliferation Treaty. sensitive technology" for its new

The U.S. Administration's latest proposals were taken to Pretoria recently by Mr. Gerard Smith, a senior State Department official.

The package stipulated by the South Africans includes the enrichment of uranium for its first two nuclear power reactors — under construction near Cape Town — further supplies of uranium fuel for its Safari research reactor, and an assurance of what it calls "non-sensitive" technology for its new uranium enrichment plant at Valindaba.

In return, the South African Government has indicated its willingness either to sign the treaty or to accept "full-scope safeguards" — which from the standpoint of U.S. non-proliferation policy may be just as acceptable.

For the U.S. the big risk of failure to find an acceptable compromise is that the South African Government may be forced into an accelerated programme of developing its own uranium enrichment capacity.

The reward of success, however, could be that other nuclear nations such as India, Pakistan, Brazil and Argentina are persuaded to sign the treaty.

The package is diplomatically most sensitive in the area of fuel for the small (20 MW of heat) Safari research reactor, for which the last U.S. deliveries were authorised at the end of 1976.

This is normally of 93 per cent enrichment—that is, of a level associated with nuclear explosives.

The U.S. Department of Energy has been investigating ways in which the relatively few research reactors which require these very high levels of enrichment might be adapted to use lower levels.

The aim is that such reactors should use fuel no more highly enriched than 20 per cent, at which level, it is judged, any weapon fashioned from the fuel would be so cumbersome as to be discountable.

In the case of Safari, however, the U.S. scientists can do no better than to propose a fuel of 35-40 per cent enrichment.

This disadvantage may be used by the South Africans to advance their case for two other parts of the package, namely guaranteed supplies for enrichment for the Koeberg power reactors, and technical assistance from overseas for South Africa's own uranium enrichment plant.

The commercial enrichment plant, confirmed in January, will be South Africa's only possible means of fuelling Koeberg unless the U.S. Government fulfils the order it has already accepted from the South African Electricity Supply Board.

South Africa has frequently promised that this enrichment plant, when built, will be open to international inspection.

However, it has recently indicated to the U.S. that it wants the technology to be kept secret, citing as an example of the special treatment it expects the current discussions between Urenco — the Anglo-German-Dutch enrichment company—and the International Nuclear Energy Agency about the preservation of commercial secrecy.

Building society merger go-ahead

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

CONTROVERSIAL proposals for the biggest-ever building society merger were yesterday approved by the Chief Registrar of Friendly Societies. The merger is now expected to go ahead next week.

But the Registrar's approval of the plans — to merge the Hastings and Thanet Building Society with the Anglia Building Society—was accompanied by sharp criticism of the way one of the societies involved had responded to shareholders' requests for more information.

The merger, which will create the seventh largest building society in the UK, with assets of about £1.2bn, had been opposed by a group of Hastings and Thanet shareholders led by Mr. Paul Twyman, a Kent civil servant. At a meeting before the Registrar last week, they attempted to kill the merger plans and claimed that members of the two societies would not benefit from the move.

In a judgment which took nearly an hour to deliver, Mr. Keith Brading, the Registrar, said that after full examination of the merits and disadvantages of a merger he believed a transfer of engagements should be confirmed on a wide number of counts.

At the same time, Mr. Brading said some of the explanatory documents sent out by the Hastings and Thanet to shareholders "fell short of the standard which is appropriate and normal."

The Registrar believed some "more reasonable explanations" could have been given in reply to some of Mr. Twyman's requests for additional information on the merger and said he gained the impression that "Mr. Twyman was for some reason assumed at the outset to be a member who could only cause trouble and obstruction. I believe that assumption and the society's reaction were both unjustified."

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FEATURES

For latest Share Index 'phone 01-246 8026

Mr. Callaghan and President Carter: united in condemning massacre

MPs condemn massacre

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE GOVERNMENT'S Rhodesia policy—and in particular its lack of encouragement for the internal settlement—came under heavy fire in the Commons yesterday as MPs of all parties condemned the weekend massacre of British missionaries in Rhodesia.

In Washington, where Mr. James Callaghan and President Carter met for more than an hour, both leaders were united in condemning what Mr. Callaghan described as "the barbaric savagery" of the massacre.

MPs at Westminster were united in their condemnation of the killings of 12 white people from an Elim Pentecostal mission at Vumba near the Rhodesian border with Mozambique.

Dr. David Owen, the Foreign Secretary, described the murders as an "appalling tragedy" and Mr. John Davies, Conservative Shadow Foreign Secretary, spoke of "this ultimate bestiality."

However, it is clear that the murders have again highlighted the political divisions in Parliament over the Government's Rhodesian policy. Mr. Davies, adopting a far milder tone than some other Conservatives, accused the Government of encouraging those who sought power "by the bayonet, the club and the gun" by its policy of cold shouldering the Rhodesian internal settlement.

Dr. Owen, however, firmly defended the Government's policy of neither condemning nor endorsing the internal settlement.

He conceded that the settlement, involving Mr. Ian Smith, the Rhodesian Prime Minister, and three black leaders, had included certain elements of the Anglo-American plan for Rhodesia, but insisted that there should be a settlement involving all parties to the dispute.

A joint Anglo-U.S. team was now in Salisbury, Dr. Owen said. He believed we were "making some progress towards our objective of round table talks" which were now more urgent than ever. The talks must, he said, involve the Patriotic Front as well as the internal settlement leaders.

Labour members suggested that guerrillas owing allegiance to the ZANU wing of the Patriotic Front might not have killed the missionaries but Dr. Owen said that he "did not know" who had been responsible.

He urged Members to follow the example of the Pentecostal Church, which had decided to stay in Rhodesia, to "look forward, not backwards" and to work for peace.

Reports from Salisbury suggest that the murders have further deepened the sense of gloom with which many whites are now viewing the internal settlement.

It is thought that the Vumba murders could further exacerbate race relations, for while many whites are bitter, many Africans, including Bishop Muzorewa, one of the Government leaders, have criticised the widespread publicity given to the killings.

While not condoning the murders, Africans complain that the much larger number of blacks killed, often in brutal circumstances, as a result of the war has mostly gone unrecorded.

Jurek Martin writes from Washington: President Carter and Mr. Callaghan agreed that the massacre made it all the more imperative that every Rhodesian national group be involved in the transition to majority rule.

It is understood that the Prime Minister emphasised that the incident demonstrated that the internal settlement was not ending the violence in Rhodesia and that the Anglo-American plan remained the best available solution.

Continued on Back Page
Parliament, Page 10

Liggett sells foreign interests

BY DAVID LASCELLES

NEW YORK, June 26.

PHILIP MORRIS announced today it is buying the foreign cigarette business of Liggett Group, the sixth largest U.S. cigarette maker, for $108m.

The move will further expand Philip Morris' share of the world cigarette markets. It will unite in one stable such well-known brands as Philip Morris' Marlboro and Liggett's Chesterfield in the non-U.S. cigarette market and raise Philip Morris' overseas sales by about 15bn units a year.

The transaction will be in two parts. Philip Morris Incorporated, the parent company, will pay $63m for Liggett's foreign inventories, receivables and other assets, excluding Liggett's Brazilian tobacco leaf business and the smoking and chewing tobacco business of Liggett's subsidiary, Pinkerton Tobacco.

The core of the transaction, however, will be made by Philip Morris's Swiss subsidiary, Fabriques de Tabac Reunies, which will pay $45m for the right to all existing Liggett cigarette trade-marks outside the U.S. as well as all related rights, patents and technical data.

Aggressive

According to Philip Morris, the Swiss acquisition will be financed by funds from the Swiss subsidiary, while the purchase by the parent company will be funded from operating or general revenues.

Philip Morris, which has emerged as one of the most aggressive companies in the U.S. tobacco and drinks business, holding second place in the American cigarette market, said today that the acquisition was part of its plan to expand its worldwide cigarette operations.

The company already derives about 25 per cent of its sales revenues from its international division.

According to industry estimates, it exports about 30bn cigarettes a year and manufactures another 157bn in its foreign subsidiaries.

Mr. Raymond Mulligan, president of Liggett, said that the company had decided to sell its foreign cigarette business because this represented the most effective redeployment of its assets under present circumstances.

Liggett's principal foreign-selling brands are Chesterfield and L and M. In 1977 Liggett produced nearly 10bn cigarettes abroad and exported a further 5.1bn.

£ in New York

—	June 26	Previous
Spot	$1.8470-8485	$1.8465-8475
1 month	0.41-0.36 dis	0.48-0.43 dis
3 months	1.38-1.35 dis	1.40-1.32 dis
12 months	5.10-4.90 dis	5.16-4.95 dis

EUROPEAN NEWS

W. German Minister shifts focus away from tax cuts

BY JONATHAN CARR BONN, June 26.

ANY FURTHER West German Government effort to boost the economy must be in the form of a package, of which tax cuts would be only one part, according to the Finance Minister, Herr Hans Matthoefer.

Other elements must include steps to promote public investment and "social" measures—such as improved family allowances, Herr Matthoefer said in an interview with the magazine Der Spiegel published today.

By his comments Herr Matthoefer has sought to shift the focus away from tax cuts as the prime contribution to economic stimulation which Bonn may promise its partners at the world economic summit here next month.

Tax cuts and reform have come particularly to the fore because the liberal Free Democrats (FDP)—the junior partner in the Bonn coalition Government—have seen this as a useful issue to stress in public after recent, serious provincial election setbacks.

Herr Matthoefer, a member of the senior coalition party, the Social Democrats (SPD), has sought to restore a balance. He will also be responsible for finding the means of financing whatever package is agreed.

A final decision is likely after three-day Governmental discussions at the end of July, in the wake of the economic summit and when data on the economy's performance in the second quarter is available.

More investment to promote research and technology and create new, skilled opportunities has been a particular aim of Herr Motthoefer since he took up his post earlier this year. It is also noted that improved family allowances would fit in well with 1979 as a UN-designated "year of the child."

Asked whether it was correct that he was thinking in terms of a programme of economic stimulation worth DM12bn in all, Herr Matthoefer agreed that was a sum which could be financed, albeit with great difficulty.

This figure is also equivalent to about 1 per cent of West German GNP—the amount by which the United States has been urging Bonn to apply an economic boost. Such an economic programme would not rule out the possibility of a major tax reform later—for which the FDP has been pressing. Indeed, part of the programme could serve as the prelude to such a reform.

There have been fears that the Government's own substantial borrowing may force up interest rates—and thus help depress that economic upswing in the private sector which the Government claims that it wishes to foster. But in an interview today the Bundesbank Vice-President, Herr Karl Otto Poehl, indicated that he did not think this was a serious danger. He noted that the decisive reason for the weariness of the bond market and the small rise in interest rates lay in the big foreign curency outflows since March—a return to more normal conditions after the big inflow of dollars at the start of the year.

Eanes: Angola pact

Suarez: Sahara concern

Giscard: Committed

Schmidt: Africa tour

Portugal-Angola agreement signed

BY OUR OWN CORRESPONDENT BISSAU, Guinea Bissau, June 26.

THE SIGNING of a general co-operation agreement by Angola and Portugal in this West African capital today has set the seal on the success of an historic three-day summit.

The face-to-face meeting between President Ramalho Eanes of Portugal and President Agostinho Neto of Angola has achieved much more than either side initially hoped for.

At the start of the summit, Angolan officials here were sceptical that anything more than preliminaries would be dealt with. But it now appears that the "frank, open and cordial" private talks between the leaders of the two historically linked countries has achieved a breakthrough that has allowed great progress in the negotiations between the government delegations accompanying the presidents.

One of the most important results of the meeting has been the setting up of a mixed committee to deal in the future with the economic and financial differences between the two countries. These "contenciosos" as they are called, embrace the nationalised banking system, Portuguese interests in the partly nationalised diamond mine, and the resolution of pre-independence Portuguese financial guarantees for various Angolan projects.

Portugal is believed, for example, still to be paying the instalments on a Boeing jet aircraft financed through Portuguese banks but now in the service of the Angolan national airline.

Although firm details are still lacking, some issues touched on during the talks are believed to include that of future compensation for nationalised Portuguese companies and the eventual release from Angolan jails of individuals originally imprisoned by the colonial administration.

Lisbon maintains that the seven prisoners affected fall under the legal jurisdiction of Portugal. According to Portuguese officials here the Angolan delegation had shown "good will" and an intention to free at least some of these prisoners.

It also seems likely that the question of Soviet and Cuban influence in the African continent was also touched upon at this first meeting between a NATO member head of state and the Marxist Angolan leader. The Portuguese officials here have however quashed a Lisbon report that President Eanes was carrying a personal message from President Carter to President Neto.

The summit, however, has coincided with the visit to Luanda of a special United States envoy seemingly aimed at reviewing past U.S. policy for Angola.

Portugal is still insisting that it is an important mediator between Western Europe and Portuguese-speaking Africa. The success of this meeting is seen here as evidence of this contention.

Madrid campaign to ease Spanish Sahara tension

BY ROBERT GRAHAM MADRID, June 26.

SPAIN HAS decided to increase diplomatic efforts to resolve its two key problems in Africa—the future of the former Spanish Sahara and efforts by certain African countries to recognise the Canary Islands as "African."

This is believed to be the main reason for a hurriedly arranged two-day visit by Sr. Adolfo Suarez,t the Prime Minister, to Morocco, beginning today. This is the first time that Sr. Suarez has visited a country on the African continent.

The Spanish Government has indicated it would have liked to combine Sr. Suarez' Moroccan visit, during which he will spend much of his time with King Hassan, with another to Algeria.

Despite the return of the Spanish Ambassador to Algiers in recent weeks and a secret meeting in Madrid three weeks ago between Sr. Marcelino Oreja, the Spanish foreign minister, and his Algerian colleague, Mr. Abdelaziz Bouteflika, the two sides do not appear ready for such a visit.

The Spanish objective is twofold but interrelated. It wants to try to defuse tension over the future of the Spanish Sahara without alienating Morocco but enough to encourage Algeria to drop its support for the Canaries liberation movement, which it is pushing to have recognised as an African liberation movement at the forthcoming OAU summit

Sr. Saurez' Moroccan contacts are also significant because they come just before the official visit on June 28 of President Giscard d'Estaing, of France.

France is firmly committed to support Morocco and Mauritania over the future of the former Spanish colony. So far Spain has resisted French pressure to give whole-hearted support to the French position.

Sr. Suarez is also expected to take the opportunity to discuss with King Hassan his views on the future of the enclaves of Ceuta and Melilla. Recently the Moroccan Press has said that the solution to these enclaves is linked with a resolution of the Gibraltar problem.

While such linkage is denied in Madrid, diplomats concede that if Spain actively wishes to resolve the vexed Gibraltar issue, this would inevitably draw attention to the future of Ceuta and Melilla.

West German Chancellor starts Black Africa visit

BY JONATHAN CARR BONN, June 26.

CHANCELLOR Helmut Schmidt of West Germany today began a five-day visit to Nigeria and Zambia—his first official trip to black Africa. Key discussion topics will be world economic and security problems—including covert Soviet intervention on the continent—as well as bilateral issues.

The visit is seen as underlining West German readiness to play a stronger political role in African affairs, after years in which its contribution has been largely economic.

It is recognised that for reasons of history Bonn remains unable to initiate military operations such as that by France and Belgium last month to evacuate Europeans from Zaire. Nor is there any question of trying to supplant Britain's special role for Rhodesia and Southern Africa.

None the less, the importance of Africa not only as a producer of raw materials but as an economic partner of growing importance has drawn the Germans towards a growing political role—in concert with other Western partners.

Bon's participation earlier this month at the talks in Paris between five Western states on the Zaire problem is one example of this. Herr Schmidt's current trip is another.

In Nigeria—an important oil exporter—the Chancellor will be stressing his view that while the developing states have many just demands, they also have responsibilities. Those include greater protection for foreign investment. He has recently expressed considerable irritation at developing states prepared to receive economic aid while criticising in other forums those who provide it as "capitalist exploiters."

In Zambia, where he arrives on Wednesday, Herr Schmidt will have talks with President Kenneth Kaunda—still seen by the Germans as having a key role to play for a peaceful settlement in Southern Africa. In both countries, Herr Schmidt will be looking for an on-the-spot assessment of Soviet intentions—not least on the Horn of Africa.

Turks plan to boost exports with foreign bank aid

By Metin Munir

ANKARA, June 26

THE TURKISH Government is preparing a decree on a new pre-export financing system involving borrowing by Turkish industrialists from foreign banks, Finance Minister, Ziya Muezzinoglu told the Financial Times today.

The decree, to be ready within a fortnight, would be designed to boost industrial exports in particular.

Turkey had a record trade deficit of \$3.168bn in 1977, nearly 30 per cent higher than the previous year. While exports dropped by 10 per cent to \$1.753bn, 30 per cent below the target, imports grew by 13 per cent to \$5.796bn.

Mr. Muezzinoglu said that in his discussions with Turkish industrialists he had told them that Turkey could not afford to continue allocating foreign exchange for production destined completely for the home markets. It was imperative that industrialists generated foreign exchange through exports to pay for imported components.

Company sources said that several manufacturers, including the Koc group, AEG and car manufacturers were in contact with major foreign banks for pre-export financing.

The shape which the system will take is not yet known. However, foreign bankers said their loans could be in the form of "sales receivable advance"—on the strength of a signed export contract they would advance a loan to the Turkish seller and collect from the foreign buyer. The suggested that this could be done, for instance, in the case of wheat, of which Turkey has large and growing stocks.

Mr. Muezzinoglu also said that the Government was working on a scheme to reduce red tape and encourage foreign capital investment in Turkey. "It is not true that the Government is anti-foreign capital," he said. "On the contrary, we want to encourage foreign capital investments in Turkey. We are very serious and receptive on this subject."

He added that the most important condition for permitting foreign investment was that they be export-oriented. "We cannot permit investment which are directed at capturing the local market," he said. "We cannot afford that."

Mr. Muezzinoglu said that he was considering a clean-up of the maze of bureaucracy and the establishment of one orga[nisation] which would evaluate foreign investment applications. He believed that this would simplify and expedite evaluation and eliminate the most serious grievance of applicants.

In his talks with industrialists in Europe and the U.S. he had proposed joint investments in Turkey directed at markets in the Middle East. Turkey would welcome joint partnerships between Turkish, Western and Arab investors in export-oriented fields. Foreign investment in the field of tourism would be particularly welcome, he added.

The level of foreign investment in Turkey is very low compared with its market size and economic potential, because of muddled official policies and opposition to foreign capital in the bureaucracy.

Mr. Muezzinoglu said that he expected an agreement to be reached in August between the Ministry of Finance and 221 banks on the re-scheduling of about \$2.5bn of short-term debts. International bankers said that this was a "reasonable hope."

Eight major banks, including Barclays, have reached a consensus on the structure of rescheduling. Discussions on their draft were held in Ankara for three days last weekend but a final agreement could not be reached.

A banker who participated in the negotiations said that the remaining outstanding issues were "minor" and "related to form, rather than substance." He refused to elaborate.

The banker said that the restructuring in question was massive both in the amount of debt and the number of creditors. He as well as Mr. Muezzinoglu anticipated an agreement within the eight banks within 10 days, possibly after another meeting between the co-ordinating group and Turkish officials. The final agreement will be submitted for the ratification of all banks involved. As yet no contingency plans have been prepared to cover a situation where any of the 221 banks refuse to participate.

Mr. Muezzinoglu said that by September this year Turkey will have finished concluding bilateral agreements with the major industrialised countries on debt rescheduling agreed under the aegis of the OECD in Paris last month. The first such agreement is expected to be signed between Mr. Muezzinoglu and visiting Norwegian Finance Minister Per Kleppe on Wednesday.

The amount being rescheduled is NKr 100m (\$18.5m) and the Norwegians are providing a new loan of NKr 200m.

Citibank facility increased, Page 33

Small businesses decline

BY GUY HAWTIN FRANKFURT, June 26.

THERE HAS been a big decline in small businesses and self-employed workers in West Germany since 1960. During the period the number of independent businesses has fallen from 3.3m to 2.4m, according to statistics.

Bankruptcies in the sector have been running at a particularly high rate during the current recession but many small businesses have also closed their doors simply because the rewards offered by such enterprises are insufficient for the efforts involved.

The 27.3 per cent decline in the self-employed and small business sector was reported in the fortnightly business newspaper Aktiv, which aims at publishing economic news in a form that is easily understandable by the man in the street.

It points out that since 1960 the number of small farmers has declined by close on 50 per cent. At the same time, the number of small, independent industrial concerns in West Germany has dropped by a fifth.

According to Aktiv, there has been above average attrition among independent tradesmen, such as carpenters, shopfitters, electricians and repairmen, who not only run financial risks but also face the problems of working very long hours. Since 1960 almost a third of such businesses have closed down.

Labour unrest expected to continue in France

BY OUR OWN CORRESPONDENT PARIS, June 26.

ALTHOUGH 9,000 laid-off workers at Renault's Flins car plant have been called back to their jobs tomorrow, the new climate of labour tensions in France seems unlikely to blow away before the July and August holiday period.

The series of disputes, dominated by strikes at Moulinex, the Government's arsenals and the Renault press shop at Flins, has been aggravated by the prospect of further sackings in the steel industry.

Redundancy plans at the Sacilor-Sollac and Usinor steel groups involve 2,500 and 4,600 jobs respectively, in works in northern and eastern France.

At Renault, although the 100-or-so strikers, mostly immigrants, have been removed from the press shop and replaced, so far no settlement is in sight. At Moulinex, where unions are backing occupation of eight factories, non-strikers this morning took over the premises of the company's occupied plant at Caen.

The strike at the arsenals is now in its third week, involving 60,000 workers according to the unions, which are calling for a further prolongation in pursuit of their pay struggle.

The docks, especially those at Marseilles, were also strikebound over the weekend, in support of a call by the Communist-led CGT union, representing almost all France's 17,000 dockers.

Labour pressures were boiling also at two groups threatened with bankruptcy, the Boussac textile factories and Manufrance, a small arms company turned retail and mail order chain, based in Saint-Etienne.

Poll upsets coalition in Iceland

REYJAVIK, June 26.

BIG GAINS by the Left in Iceland's general elections shook Mr. Geir Hallgrimsson's Government today, but failed to produce a Left-wing majority in the Althing (national assembly).

Although the Prime Minister conceded defeat early in the count, he announced tonight he would call a Cabinet meeting tomorrow to review the situation. This was the correct move at this time because his coalition still held a majority in the Althing, he said.

The ruling coalition of Independence and Progressive Parties held a four-seat majority after yesterday's poll. But the Progressive Party announced it would stay out of Government and neither the Right nor the Left appeared capable of governing.

The Marxist People's Alliance and the Social Democrats achieved major successes by capturing 14 seats each in the 60-seat Althing. Mr. Hall Grimsson's Independence Party and the Progressive Party lost five seats each to retain 20 and 12 seats respectively.

Despite the announcement by the Progressive Party, Mr. Hallgrimsson has not indicated when he will resign.

Reuter

Editorial comment Page 16

Spanish unions take party line

BY ROBERT GRAHAM MADRID, June 26.

THE STRENGTH of the Spanish Communist Party in organised labour has been confirmed by the holding of the first legal congress of the country's largest trade union organisation, the Confederation of Workers' Commissions. The five-day congress which ended yesterday, elected a new executive committee in which 37 out of the 42 are members of the Communist Party.

The Confederation of Workers' Commissions emerged from clandestinity when trade unions were legalised in April 1977 and has proved in the recently held works council elections that it is easily the strongest union force in Spain by capturing about 45 per cent of the vote.

It has never sought to conceal its close links with the Spanish Communist Party. Its secretary general, Sr. Marcelino Camacho, is a key member of the central committee and is a Communist deputy in Parliament.

However, the tenor of the congress and the resolutions adopted revealed that the confederation follows closely Communist policy on key issues such as wages.

The congress was noticeable for the way in which the confederation's leaders supported the continued application of the Moncloa agreements, the package of economic and political measures agreed by all the main political parties last October.

Sr. Camacho said: "In the days of Franco the present economic crisis would have been accompanied by an enormous repression and hundreds of dead. It is incorrect to say that the Moncloa agreements have imposed sacrifices only on the workers."

More radical groups to the left of the Communist Party and certain grass-roots confederation members have been critical of this support for the Government's policy and reject Sr. Camacho's argument that it is not only the working class that is suffering from the recession.

These differences were reflected in the voting on Sr. Camacho's report to the Congress approved by 993 votes with 125 against and 40 abstentions.

Nevertheless the composition of the newly-elected confederation executive, notable for more than 50 per cent being between the ages of 22 and 35, suggests that this more radical tendency has been carefully controlled.

Apart from discussing the structure and administration of the confederation, debate centred also on measures to combat unemployment.

Sr. Camacho launched an appeal for closer collaboration with the second main trades union, the socialist orientated General Workers' Union. Sr. Camacho believes that only by such closer co-operation is it possible to strengthen the union movement as a whole.

Dutch workers protest

BY CHARLES BATCHELOR AMSTERDAM, June 26.

MORE THAN 70,000 public authority workers staged a mass demonstration in The Hague today to protest against Government plans to restrict their salary increases. The protesters travelled by special trains from all over Holland for the demonstration—the largest ever held in The Hague. After speeches from union leaders they marched through the town centre and handed a petition to the chairman of the Lower House of Parliament, Dr. Anne Vondeling.

The protest was attended by members of two civil servants' unions, teachers, public transport workers, police and members of the forces. The protest was a "complete success," an official of the civil servants' trade union, ABVA, said. The numbers involved exceeded the unions' expectations, in particular since some unions which originally planned to take part had dropped out. The demonstration passed off peacefully.

Rome talks go on as ballot nears

By Dominick J. Coyle

ROME, June 26.

WITH THE last in a series of regional elections concluded this afternoon, Italy's main political parties now have just four days in which to try to reach an agreement on a candidate for the presidency, following the sudden resignation of Sig. Giovanni Leone. The first ballot is scheduled for Parliament on Thursday afternoon.

The Communists have effectively a veto in the first three ballots when a two-thirds majority is required (thereafter a simple majority will suffice for election), and they have now signalled their preference for a lay candidate—not a member of the long ruling Christian Democrats.

The Communist objective clearly is to try to have elected as President a man who in the future might be prepared to sanction the formation of a new Italian Government containing Communist Ministers, the so-called "compromesso storico," or grand alliance in office of the country's main democratic forces.

The Communists are already supporting the present minority Christian Democratic Government of Sig. Giulio Andreotti, but they are not part of the actual administration.

The bomb damage at Versailles

VERSAILLES BOMB

Napoleonic relics damaged in blast

BY DAVID WHITE IN PARIS

THE DAMAGE to the Palace of Versailles, where a bomb charge ravaged part of a newly-restored wing early yesterday, was put at Frs. 5m (about £600,000). But M. Herbert Landais, Inspector-General of French Museums, said the losses were incalculable.

Furniture and relics of the Napoleonic period were completely destroyed, statues shattered and paintings torn by the blast, which opened a gaping hole in the ceiling between the ground floor and the famous Gallery of Battles. Among the works feared to be beyond recovery is one by the early 19th century painter Guerin depicting the first investiture of the Legion of Honour.

Telephone calls were received in the name of several extremist groups claiming responsibility for the attack. One was a "Workers Revolutionary Group" affiliated to the Armed Nuclei for Popular Autonomy, an organisation which at one stage claimed to be the kidnappers of Belgian businessman Baron Empain. A second was from an "International Unemployment Group." A third came, by way of Agence France-Presse in Rennes, from the "Breton Revolutionary Army."

Police appeared to give most credence to the latter, the choice being between that and an act of totally gratuitous vandalism.

The bomb went off at 2.30 am, placed apparently either in a cupboard or behind a ground-floor statue, in the south wing of the palace—on the left as one enters the main gates into the court. Eight rooms on the ground floor and first floor were damaged, three of them gutted. There was little damage, however, to the main structure of the building. A watchman was injured in the blast.

The wing, the "Aile du Midi," was built in the last quarter of the 17th century and was chosen by King Louis-Philippe in 1837 to house mementos of "all France's glories," including many paintings he himself had commissioned.

The collection depicts, in particular, Napoleon's victories and his campaigns in Egypt and Russia, and includes works by Girodet, Guerin, Gros and Carle Vernet.

● A group calling itself "International Revolutionary Solidarity" has claimed responsibility for bomb explosions which wrecked offices owned by a Bulgarian export company in Paris on Sunday night. In a message to the Left-wing newspaper Liberation, the group said the attack was a reprisal for Bulgaria's decision to hand over Till Meyer, the prison escapee, to West Germany.

Comecon talks on joint projects

BY PAUL LENDVAI VIENNA, June 26.

PRIME MINISTERS of the nine-nation Comecon group meet in Bucharest today for three-day talks on plans for closer economic co-operation and joint investments particularly in energy and raw materials.

The discussions are expected to cover several delicate areas such as the method of determining foreign trade prices between member countries, convertibility of the transferable rouble and the "projected target" programme for transport infrastructure and consumer durables.

According to Hungarian and Polish sources some organisational changes have also been under discussion since the Comecon Council meeting in Berlin two years ago.

Mr. Edward Gierek, the Polish Party leader, publicly denied last week that the changes would involve any alternative in the present "interested party principle" which gives individual Comecon members the right to opt out of joint programme.

Romania has often taken advantage of the principle and a hint emerged from Bucharest 10 days ago that Romania feared a change in the rules to majority voting.

Modifications which have been under discussion involve co-operation projects primarily. The Soviet Union would like to set up a kind of high-powered committee to deal with such projects, or alternatively several "transnational companies," as a step to supra-national planning in selected sectors. But no decisions are expected to be taken on these issues at the Bucharest meeting.

Observers have stressed that in addition to long-standing Romanian opposition to politically dangerous organisational measures, there are many other conflicts of interest, separating, for example, net agricultural exporters such as Bulgaria, Hungary and Romania, from the rest of the bloc, or the Soviet Union, as the main raw material supplier, from Bulgaria, Czechoslovakia, East Germany and Hungary.

It is reported that the Soviet Union is pressing for a big increase in subsidised low-interest loans from other Comecon countries, mainly for the development of Soviet raw materials. Plans already approved for the 1976-80 period call for up to 10bn roubles of investments in such projects as a gas pipeline, cellulose plants, and mining facilities.

According to some estimates, the Soviet Union would like to push through an agreement providing for a doubling of this sum to 20bn roubles for 1981-85.

Beer price pact contested by EEC consumer group

BY OUR CONSUMER AFFAIRS CORRESPONDENT

EUROPE'S consumer lobby has launched a campaign to become more involved in the whole field of EEC competition policy.

As a first step, the Bureau Européen des Unions de Consommateurs has taken up a complaint by the Belgian Consumers' Association that a recent price-fixing agreement between brewers and retailers in Belgium is in breach of Community law. It has asked the European Commission to investigate the agreement under Article 85 of the Treaty of Rome.

Belgian brewers agreed with retailers last month that the minimum retail price for beer should be BFr147 for a crate of 24 bottles. The agreement, which the consumers' bureau says, was sanctioned by the Belgian Ministry of Economic Affairs, reflected concern among Belgium's powerful small-business lobby that small shops were losing beer sales to supermarkets.

Imported beers were not covered by the agreement and the Belgian Consumers' Association has advised consumers to buy foreign beers rather than Belgian brands. A survey by the association two weeks ago showed that the agreement was being widely kept and that it was very difficult to find Belgian beer at the low prices that were available before.

The European consumers' bureau said yesterday that it believed the price-fixing agreement was illegal under Community law and a dangerous precedent for other Community countries.

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OVERSEAS NEWS

Indonesia cautious over fresh foreign borrowing

BY DAVID HOUSEGO, RECENTLY IN JAKARTA

INDONESIA IS likely to return to the capital markets soon as a borrower. Government officials in Jakarta do not put it so bluntly, especially as the near-bankruptcy of the state oil company Pertamina three years ago under the weight of over $10bn of debt has reinforced their natural caution.

The regime is in a very real dilemma. Politically the next few years will be a critical time for President Suharto with strong pressures on him to show tangible results for his 12 years in office, both over issues like corruption and in raising living standards.

The difficulty in meeting these expectations is that the Government is going to be pinched both for funds for developments and for foreign exchange. Over half its budget revenues and well over half the country's export earnings derive from oil. Net oil receipts after rising nearly sevenfold since 1973 are unlikely to increase in the next couple of years. Production is flattening out at about 1.7m barrels a day and more of it is coming from the high cost offshore fields which yield lower tax receipts.

Foreign exchange earnings from other major commodities such as timber, rubber and tin are also likely to level off either because output is not exanding or because prices are stagnant. There was no real increase of development expenditure in 1976/77, and only a marginal increase has been budgeted for the current financial year. Private investment is well down from the probably unrealistic

President Suharto

levels achieved during the oil boom. Food consumption is outstripping food production with the result that the Government spent $600m on rice imports last year.

This year it may have to spend more—even though the harvest is better — because international prices are higher and consumption still rising. Food imports cut into the country's ability to finance imports of investment goods.

The first sign that Indonesia was looking for substantially more finance from abroad was its request at last month's meeting of the consultative group of donor nations in Amsterdam to raise the ceiling on new foreign assistance and loans to $2.5bn for 1978—47 per cent above loan and aid commitments made last year. The ceiling is an indicative limit set by the World Bank in line with what it considers prudent debt management. Mr. Ali Wardhana, the Finance Minister, pressed the urgency of the new figure on heads of diplomatic missions in Jakarta without giving any precise answers to their questions as to what projects the Government had in mind. Since then General Piet Harjono, the head of Pertamina, has said that the state company will again be seeking to raise funds on its own capital strength—and in a way that could effectively get around the restrictions of the ceiling.

The Government certainly has the elbow room for a more ambitious programme of borrowing. Part of the reason for the stagnant level of investment last year was that some of the major state projects — the Pusri fertiliser plant in Sumatra, the Cilicap refinery and the Cilamaya gas pipeline in Java—are completed or nearly so, with actual outlays tailing off. Inflation has been curtailed to about 10 per cent from over 30 per cent in 1974. Both the money supply and bank credits are expanding far more slowly than they were a couple of years ago, largely as a result of the tight restrictions that were imposed on the commercial banks.

It is a sign of the complete turnabout that there has been since the hectic days of the Pertamina spending spree that the Government is now more concerned with giving the economy a boost than with putting on the brakes. Interest rates were recently lowered to encourage more private sector investment, though so far without much success. Activity could slow down even further without a renewed burst of public sector investment—which is one reason for revising the cautious attitude of recent years to foreign borrowing.

The queries really concern the scale of it and the pace. Official hesitation stems from fears of returning to high levels of inflation, popular hostility to foreign loans, and justifiable anxieties about the future debt servicing ratio, which on existing commitments already looks as though it will be climbing back above 20 per cent in the 1980s. Whether or not it does depends on the future rate of oil production.

The most encouraging news about Indonesia at the moment is that oil exploration is again picking up after the squabbles with the oil companies over production contracts which virtually stopped exploration work. But it will be some time before it is known whether exploration will be matched by new discoveries. During this period of uncertainty—coinciding with and reinforcing all the political uncertainties about the future of the Suharto regime—it is difficult to formulate realistic long term economic plans. For it is unclear whether Indonesia will in future be an oil based economy—with all that means in terms of ample foreign exchange earnings—or another developing country with a particularly acute problem in feeding its population. Unless food imports can be cut, the food bill is going to be a continuing strain on the balance of payments.

The projects for which the Government is contemplating foreign financing are mostly either energy based or potential earners or savers of foreign exchange. They include refineries at Dumai and Batam; extensions of the gas liquefaction trains at Arun and Badak; exploitation of the South Sumatra coal deposits; the Bintan island bauxite project; and the enlargement of the Krakatau steel mill. Together their cost would be about $7bn-$8bn.

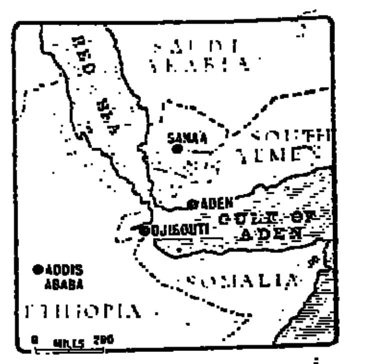
At the same time there is more emphasis in Government thinking on creating new jobs, establishing rural and small scale industries, extending rural electrification, increasing rice production, and redistributing incomes. These are immensely difficult tasks. The Indonesian bureaucracy is short of administrative skills. No answer yet has been found to the overcrowding of Java and the growing number of landless poor. Transmigration (the shifting of people to other islands) is not proving a success. Higher rice yields are hard to get from new marginal lands, and deforestation in the past has left a legacy of soil erosion.

The most striking achievement in recent years has been the success of the birth control programme in bringing down the growth in population.

What adds to the Government's problems in such a period of uncertainty is that the removal of some of the distortions in the economy will require unpalatable political decisions.

South Yemen president overthrown in coup

BY ANTHONY McDERMOTT



MR. SALEM RUBAI ALI, President of the People's Democratic Republic of Yemen, was overthrown yesterday after fierce fighting in the capital Aden, the government-controlled radio announced.

The radio said that the President had been forced to resign by the sole political group, the United Political Organisation—National Front (UPONF), but in fact his departure came after attacks by fighter bombers on the presidential palace and the government complex. There was also fighting between sections of the armed forces and others affiliated to UPONF. The coup is the outcome of severe differences between the President, who is only deputy secretary-general of the Party, and Mr. Abdel Fattah Ismail, the Party leader.

According to people in contact with Aden, the fighting erupted at dawn after an all-night debate within the leadership about North Yemen's charges that the republic in South Yemen had set up the assassination last Saturday of Lieutenant-Colonel Ahmed Ghashmi, the north's President.

The overthrow of President Salem Rubai Ali has implications for the political balance in the Arabian peninsula, where Saudi Arabia's conservative policies largely hold sway. It could also affect the conflicts in Ethiopia, where South Yemen, although an Arab and Moslem country, has for ideological reasons been giving support to the Marxist government in Addis Ababa against the Moslem rebels.

The Iraqi News Agency, which has been the main source of information from the spot, reported that military units at the straits of Bab el Mandeb, the strategic southern entrance to the Red Sea had mutinied as had troops in two other areas, and at Aden's Salaheddin barracks.

The main conflict on the ground appeared to be between the armed forces, controlled by Mr. Ali Antar, the Defence Minister, considered loyal to the president, and three different organisations all controlled by UPONF—the people's militia, the Popular Defence Committees and the People's Police. Militiamen and army dissidents tried to storm the palace and ran into opposition from troops loyal to the President.

In Sanaa the capital of North Yemen, Col. Ghashmi, was yesterday given a state funeral. One theory given credence was that the assassination of North Yemen's head of state had been organised to discredit Mr. Salem Rubai Ali. It may have been carried out with the help of Major Abdallah Abdel Alem, commander of the North's paratroopers, who had been at odds with Colonel Ghashmi ever since he succeeded the former Northern head of state, General Ibrahim al Hamdi, himself assassinated in October 1977. Maj. Abdel Alem has since fled to the South. In any case, South Yemen sternly rejected any involvement in Col. Ghashmi's murder.

At the heart of the Aden struggle lie the different approaches of Mr. Salem Rubai Ali and Mr. Abdel Fattah Ismail towards the position of their country in the region. The former is more pragmatic in his attitude, encouraging for example the development of political and economic ties with Saudi Arabia, while the latter put hard line ideology first. It was on this basis that Mr. Ismail gained some ascendancy by overriding pan-Arab considerations in supporting Colonel Mengistu Haile Mariam in Ethiopia against the Eritreans.

It was thought early yesterday that Saudi Arabia might have been involved in the overthrow of South Yemen's president. But the outcome proves that this could not be so for Mr. Ismail takes a far harder political line than the ousted President. In March 1976, Saudi Arabia opened diplomatic relations with Aden and tried to woo it into a more moderate line through the provision of aid.

However, last year according to Saudi officials, this aid stopped because Riyadh had written off Aden as Marxist beyond redemption. Previously, the country had seemed to be turning towards the West for technology and in 1977 a growth rate of 7 per cent for an economy dependent on meagre resources had been the best since independence in 1967.

Arab money from Saudi Arabia as well as Kuwait and the United Arab Emirates was flowing in and there was even speculation about the construction of a pipeline to carry Saudi crude from the kingdom's south-eastern fields to the former BP refinery at Mukalla. Aden appears to have dropped its support for liberation movements in the Gulf, notably in Oman, and with General Hamdi as president in North Yemen, the two countries, although deeply divided on many issues, seemed to be closer than for some time.

The assassination of Gen. Hamdi, which did not displease Saudi Arabia, coincided with a hardening of Aden's line towards the conflicts in the Horn of Africa. Aden provided refuelling and turn-round facilities for Soviet Antonov aircraft flying supplies for the Ethiopian forces. Cuba has currently some 250 people in South Yemen. About a fifth of them are reported to have been training the people's militia. The Soviet Union has 300 military advisers with the armed forces. East Germany trains the security police.

It is reasonable to suppose that the killing of five Britons in Oman earlier this month represented a resurgence of South Yemen support for the Popular Front for the Liberation of Oman on a serious scale for the first time since Sultan Qabous claimed a complete military victory in December 1975.

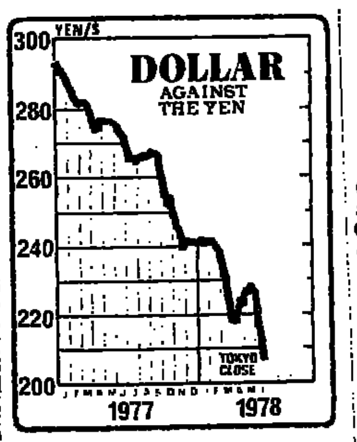
In Beirut the independent newspaper, al Liwa, reported troop concentrations on both sides of the border between North and South Yemen but added that there had been intensive contacts to ensure restraint.

In April, Mr. Saleh Muslih, the Interior Minister of South Yemen, paid a five-day visit to Saudi Arabia and before his departure said that he was confident the visit would strengthen relations between the two countries. He was also quoted as saying that Saudi Arabia's experience in security matters would be of great value in reorganising police services.

The visit came at a time when relations were strained and reports of border clashes between the two countries had been appearing in newspapers since January. According to some reports the visit of the Interior Minister resulted from mediation on the part of Kuwait after Mr. Ali Nasser Mohammed, the Prime Minister, had visited Kuwait and the United Arab Emirates in March to seek financial aid.

It remains to be seen whether countries other than Saudi Arabia will withhold financial support if the overthrow of South Yemen's president turns out to be a reinforcement of the Marxist line.

A team from the International Monetary Fund reported earlier this year that the economy would have its worst year for some time largely because Saudi Arabia had decided to cut off almost all aid and because receipts from Yemenis living abroad were expected to drop.



Yen soars after Cabinet meeting

By Our Foreign Staff

THE JAPANESE Cabinet's Economic Council has refrained from introducing new measures to cut Japan's huge foreign trade surplus and decided instead to accelerate the implementation of an existing package of export curbs, emergency imports and public works investment worked out in April.

The decision contributed to some extent to a rush to buy yen and Japan's Central Bank intervened in the foreign exchange market yesterday to bolster the value of the U.S. dollar against the yen. Dealers estimated that the Bank of Japan bought more than $100m in an effort to counter a renewed wave of selling dollars for yen.

The hard-pressed dollar opened at 206.10, its lowest point against the Japanese currency since World War Two, and slid further to 204.50 before the Bank of Japan intervened to lift the rate to 205.20.

Japanese banks were disappointed because the large trade surpluses, the root of continued yen appreciation, would not be narrowed without stronger measures to restrain exports and expand imports.

Japanese banking sources said the U.S. dollar may weaken further towards a rate of Y200 after a brief pause to allow dollar sellers to take profits.

The dollar fell from Tokyo's Y209.55 close last Friday to below Y207 in overseas centres on the same day.

S. Africa opens Namibian voters' register

WINDHOEK, June 26.

SOUTH AFRICA today began registering voters for multiracial elections in South West Africa (Namibia) due to lead to independence at the year's end.

At the same time, South African Foreign Affairs spokesman Brand Fourie reaffirmed his government's support for the independence plan drawn up by five western countries. He denied that registration of voters meant his country was proceeding with its own solution in the territory.

"There is no suggestion at this point of us going ahead unilaterally," Mr. Fourie, Secretary for Foreign Affairs, told a South African television interviewer.

Registration of the estimated 440,000 voters in the sprawling, under-populated territory which South Africa has administered since 1945 is due to last three months. After that, at a date yet to be announced, they will elect a constituent assembly which will draw up the independence constitution.

Reuter

Ethiopia accuses the West

NAIROBI, June 26.

A SENIOR member of Ethiopia's Ruling Military Council (Dergue) has said the West is arming Somalia to invade Ethiopia for a second time, Addis Ababa radio reported.

The radio, monitored here, said Captain Fikère Selassie Wodgeres, the Dergue's Secretary-General, told a meeting in Addis Ababa yesterday that the U.S., Britain and West Germany were arming Somalia to "invade our country for the second time."

Reuter

China hits out at Japan over Korea treaty

BY JOHN HOFFMANN

PEKING, June 26.

CHINA made a strong protest against Japan's "infringement on China's sovereignty" today, just one week before the proposed resumption of negotiations on a peace and friendship treaty between the two countries.

The protest warns that China "will never agree" to a continental shelf development pact which Japan signed with South Korea last Thursday. And it has virtually posted a "No Trespassing" sign on the shelf.

A statement issued by the Chinese Foreign Ministry accused Japan and South Korea of going behind China's back in marking off a joint development zone on the continental shelf in the East China Sea.

China had inviolable sovereignty over the continental shelf in the East China Sea, said the statement. This position had been made clear to Japan in 1974 and 1977.

The Japanese Government had now signed its agreement with South Korea in utter disregard of the Chinese position.

Janata faces plan clash

BY K. K. SHARMA

NEW DELHI, June 26

THE MARXIST government of West Bengal has set the stage for a major confrontation with the Janata central government by announcing that it will ignore the Planning Commission's guidelines for formulating the next Five Year plan by the states. This stand has been taken on the ground that only the National Development Council, the country's highest economic decision-making body, is entitled to issue the guidelines and not the Planning Commission.

This means a serious tussle between the West Bengal Government and the Indian Government which might grow if other non-Janata states also join the Marxists in this stand. The Janata party rules only half the country's 22 states.

The confrontation is due to the delay in forming a committee of the National Development Council, of which all chief ministers are members, to discuss the contentious issue of sharing of revenues between the central and state governments. Approval of the draft of the Five Year plan was stalled on this issue when the council met for this purpose late last March.

The delay in forming the committee is due partly to the central government's preoccupations with its internal political wrangles and partly to the difficulty in choosing the chief ministers who will be its members. It is likely that eventually the entire council will form the committee. Pending this, however, the Planning Commission has formulated guidelines on the next Five Year plans of the states to avoid further delay in their finalisation.

AMERICAN NEWS

Consumers fear big rise in inflation

By David Lascelles

NEW YORK, June 26.

THE U.S. CONSUMER'S overriding fear is inflation, which he expects to continue at a high level according to a report by the Michigan Survey Research Centre, one of the most respected centres of its kind in the country.

In its May survey, the Centre found that its nearly 1,500 respondents expected prices to rise by an average 8.2 per cent over the next 12 months, the highest rate recorded by the Centre since *the recession in 1974-75.*

Fears were particularly strong among high income *families,* where a third expected prices to go up by 10 per cent or more. Nearly half of the sample thought prices would rise faster than their incomes in the next year, against a quarter at the beginning of the year.

The survey also showed that people who expected things to get worse exceeded those who expected them to get better, and that confidence declined in the Government's ability to deal with *inflation* and unemployment. But at the same time people were thinking of buying houses and large amounts of consumer durables in anticipation of price rises.

The Centre concluded that "brisk consumer spending—reinforced by fear of inflation and buy-in-advance psychology—should continue in the near term, but the outlook is less favourable for late 1978."

Callaghan hopes for U.S. collaboration on aircraft

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, June 26.

MR. JAMES CALLAGHAN, the British Prime Minister, said here to-day that he looked forward to collaborating with the U.S. on a new generation of commercial airliners, and had detected in his talks with the U.S. aircraft industry a corresponding recognition of the need to work with foreign aerospace interests.

Briefing the British Press here on his meetings with the heads of Boeing, McDonnell-Douglas, and Eastern Airlines over the week-end, the Prime Minister stressed that he had conducted *no negotiations, and was essenti*ally familiarising himself with the problems involved. He predicted "exciting progress but a bumpy ride" in the future.

It is understood that Mr. Callaghan came away convinced from his discussions with Mr. Thornton Wilson and Mr. Tex Boullion of Boeing yesterday morning that the giant U.S. company was in earnest about a joint venture with Britain on its new 757 jet airliner, using updated Rolls-Royce RB211-535 engines.

But he was also apparently impressed that McDonnell-Douglas—whose own aircraft, codenamed the AMTR is in a much less advanced planning stage—had offered a wide-ranging future strategy of co-operation which went far beyond one specific project.

Mr. Frank Borman, the head of Eastern Airlines, which is already contracted to use the European A300B Airbus, is understood to have expressed an informal preference for the Boeing-Rolls-Royce venture.

Mr. Callaghan is understood to have emphasised in his meetings that the new aircraft should be "a commercial proposition" and not "a political aircraft." It is thought that he basically believes that Rolls-Royce's future would be brighter in joint venture with U.S. manufacturers, in spite of their size, than it would be in Europe. It is generally accepted that the B10 version of the European Airbus would provide no role for the British engine manufacturer.

Moreover, Mr. Callaghan is believed to feel that the European solution inevitably would be heavily influenced by political considerations, and would reflect the German and French desire not to be dominated by the U.S. aerospace industry.

This, of course, is the nub of the objection to co-operation with Boeing, which has already been expressed by the British aerospace industry, though not by Rolls-Royce itself. Mr. Callaghan is aware of the British industry's nervousness which, he believes, constitutes genuine concern and not merely emotion.

However, it is clear that Mr. Callaghan has not eliminated the European option, although he is dismissing some of the European objections to a deal with the U.S. as pure "propaganda." It is expected that this subject will loom large at the meeting in Bremen early next month of EEC heads of government.

Brazil reforms move forward

BY DIANA SMITH

RIO DE JANEIRO, June 26.

REFORMS to abolish the arbitrary powers granted to the Brazilian presidency in 1969 have been approved by President Ernesto Geisel and the National Security Council.

The reforms, which could bring the country closer to institutionalised democracy, will now be debated in Congress where they could be broadened further. They are intended to take effect on March 15, 1979, when President Geisel is to leave office, but may be brought forward to January 1.

The changes come in a presidential election year when pressure for wider participation in political and economic decision-making has mounted. This has been shown most strongly by the recent strikes by metal-workers, which the Government did not repress although strikes are illegal, and by the ensuing dialogue between management and labour without the Government playing a role.

The linch-pin of the reforms is abolition of Institutional Act number 5 (IA5) and its repressive offshoots — instruments which, on national security grounds, have allowed the president and other authorities to keep Brazil in a "state of exception," to over-rule or temporarily suspend Congress, revoke mandates of dissident deputies, strip military personnel of their rank, and civilians of their civil rights, overturn judicial rulings and censor the media.

The presidency's arbitrary powers over Congress may thus be extinguished, the applicability of habeas corpus for political crimes may be restored. The death penalty, perpetual imprisonment or banishment may be abolished and new political parties may be formed.

Parties may be represented in Congress if they attract 5 per cent of the vote in at least 11 states, and have no ties with foreign governments or parties. This could end the heavily circumscribed two-party system in which Arena, the pro-Government group and the opposition MDB (Brazilian Democratic Movement) operate.

The reforms are qualified by new constitutional amendments which would provide mechanisms for temporary declarations of a state of siege or emergency, with consequent temporary loss of civil freedoms, in specific areas or nationally.

● The Brazilian National Economic Development Bank (BNDE)—whose 1975-79 allocation for investment in basic products, capital goods, regional infrastructures, assistance to small businesses and shareholders totalled $15bn — has announced a shift of emphasis for its four-year plan for 1978-81.

Although basic products and capital goods will continue to receive BNDE support, the time has come, the new plan states, to place greater emphasis on the reduction of social and regional inequalities, on the provision of a high rate of increased production, and the endowment of outlying areas (that is, those with lesser economic weight) with infrastructures, so as to reduce migration to large urban centres.

Indeed, this aspiration has been part of Brazilian economic planning for several years, but the BNDE has now complemented it with a new proposal—heavy investment in mass production of consumer goods.

The BNDE will give preference in 1978-81 to projects involving low-cost consumer goods (especially foodstuffs and clothing), in the belief that this will generate increased demand, raise wages and improve the quality of life.

New regional infrastructures as a whole will receive close attention from the BNDE, so as to grant productive activities a quantity and quality of basic services and avoid what the BNDE calls "strangulation" of development of private companies.

"Policies which delay reduction of inequalities," the BNDE plan states, "have become politically and socially unacceptable."

Demonstrators protest against atomic reactor

By Our Own Correspondent

NEW YORK, June 26.

A CROWD of nearly 20,000 gathered at Seabrook, New Hampshire, over the weekend to protest against nuclear power. But the demonstration, which took place under the eyes of hundreds of policemen and National Guardsmen, was considerably more peaceful than last year's protest when more than a thousand people were arrested.

Seabrook, a small coastal village north of Boston, has become the focus of anti-nuclear protest due to the 2,300 MW reactor under construction there.

This year's demonstration was an orderly affair largely because of the authorities' offer of an 18 acre site, although some protesters threatened not to leave the site at today's 3 p.m. dealine.

Erie drilling ban to end

CLEVELAND, June 26.

AN EIGHT-YEAR-OLD ban on oil and natural gas drilling in the Ohio portion of Lake Erie expires on Saturday but that will not signal a rush to tap the lake's energy reserves.

Observers say drilling is at least several years away because of various administrative obstacles and an environmental impact study by the U.S. Army Corps of Engineers.

Some Ohio legislators have tried unsuccessfully to extend the ban. Last week, a Bill to prohibit all drilling, except for three experimental gas wells, failed in the Ohio House of Representatives.

AP-DJ.

NY Governor challenged by former deputy

NEW YORK, June 26.

NEW YORK State's Lieutenant-Governor, Miss Mary Anne Krupsak, who left Governor Hugh Carey's re-election campaign earlier this month, today declared that she will challenge the Governor for the Democratic Party's nomination in September.

Proclaiming herself "the People's Candidate," Miss Krupsak will ensure that the Governor will have a far busier campaigning summer than he had planned and may well have to spend more than *the $3.5m he had scheduled for* his re-election effort.

Although the Governor has the solid support of Democratic Party professionals behind him, Miss Krupsak's challenge is likely to be sturdy because she has a considerable following in non-urban upstate New York.

Ottawa Tory to see Thatcher

BY OUR OWN CORRESPONDENT

OTTAWA, June 26.

THE CANADIAN Progressive Conservative party leader, Mr. Joe Clark, will visit London from July 5-8, and will meet Mrs. Margaret Thatcher, the British Conservative Party leader.

Mr. Clark who will be accompanied by Mr. Douglas Roche, acting chairman of the Progressive Conservative External Affairs committee, will also meet the Secretary General of the British Commonwealth Mr. Shridath Ramphal, representatives of the International Institute of Strategic Studies, and Labour Government officials. Mr. Clark will also hold a reception for Canadian journalists. Mr. Roche is on a tour to discuss foreign policy matters, and it *will take him to nine countries* in three weeks.

"The postponement of a federal election has enabled us to continue preparations for a Progressive Conservative Government in Canada. Both Mr. Roche and I view an up-to-date evaluation of a number of key foreign-policy issues as an important part of this preparation," said Mr. Clark.

Mr. Roche is also due to visit Lebanon, Israel, Tanzania, Namibia (South West Africa), South Africa, India, Japan and Korea.

U.S. COMPANY NEWS

Eaton bids $378m for Cutler-Hammer: ITT forecasts 25 per cent increase in second quarter: Bank America completes Brazilian take-over—

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THE CANADIAN CONSTITUTION

Trudeau determined to make changes

BY VICTOR MACKIE IN OTTAWA

MR. PIERRE TRUDEAU, the Canadian Prime Minister, with his bold new concept for the Canadian constitution may be undermining a Liberal Party power base in Ottawa, much to the dismay of the governing party's veterans long accustomed to manipulating the levers of power.

Mr. Trudeau, now in his eleventh year in office, entered politics determined to transform the constitution so that it catered for the French speaking minority and its language, the so called "French fact." He wants to see firmly embedded in the constitution recognition of English and French as the two languages of Canada.

The election of M. Rene Levesque and his Party Quebecois in Quebec two years ago brought the issue to a head and induced Mr. Trudeau to drop any plans he may have had for retiring.

Under Mr. Levesque the Quebec Government has become much more militant about making French predominant in the political, commercial and social life of that province. Pressure on Ottawa from Quebec to increase the importance of the "French fact" has led to a slow but steady build-up of resentment throughout the rest of Canada. The Liberals are afraid that it will adversely affect for them the outcome of the next general election, either this autumn or next summer.

The Prime Minister's constitutional changes are to be dealt with in two stages. Mr. Trudeau hopes to see phase one completed by July 1, 1979, and phase two by 1981, the 50th anniversary of Canada's accession.

The first phase covers matters which the Cabinet has been advised are under federal jurisdiction, although the provinces question the right of the federal authorities to act unilaterally. The second phase would cover areas in which co-operation and consent of the provinces would be required.

Having placed the amending Bill before parliament for first reading Mr. Trudeau suggests that the subject matter should go before a joint committee of the Commons and Senate and before a first ministers' conference of the federal and provincial governments next September. The Prime Minister is optimistic that he can get the first phase of the proposals endorsed by his caucus, considered by the Commons and later the Senate and after some amendments, approved by July 1, 1979

Many old political hands say he hasn't a hope of achieving that goal. He could run into a revolt within his own caucus, because of proposed changes in the form of the upper chamber now known as the Senate, which is a body of members nominated by federal governments. Under Mr. Trudeau's amendment Bill it would be replaced by a House of Federation. Total membership would be increased from the 104 now in the Senate, to 118. Of these, 58 would be selected by the House of Commons, 58 by the provinces, plus one each from the North West and Yukon Territories.

The western provinces and the Atlantic region, where the Liberal Party's strength has been weakening, would have greater representation in the new chamber than they do in the Senate. Quebec and Ontario would retain there present 24 members each in the upper house. Western representations would be increased to 36 from the present 24, the Atlantic region would have 32 seats, up from 30.

All major political parties would be represented in the new upper house, on the basis of popular vote in each province. The commons would appoint members after each federal election.

The representatives from the provinces would be named by their respective legislatures after provincial elections. At present, the Liberal and Progressive Conservative parties are represented and one Social Credit member sit in the Senate, plus a few independents.

Of the present Quebec senators only four are Conservatives, while 19 are Liberal and there is one independent. This large bloc of Liberal Party supporters in the upper house is a source of power for Liberals.

The proposed new House of Federation would have power only to delay legislation passed by the Commons. It would be able to initiate legislation of its own, except for money bills. Its power to veto legislation would be removed.

Senators are appointed to serve until they are 75 years old. Not having to seek re-election they devote considerable time to examination of legislation particularly in the committee stage.

Those who do attend regularly and sit on the committees do a good job of scrutinising government policy. Cabinet Ministers must be prepared to answer detailed questions in the Senate committees whereas in the Commons committees partisan politics divides the members who are above all, interested in scoring political points.

What worries Liberals is that under the new method of appointment, they will lose their overwhelming majority in the upper chamber. They will be in the minority given the current political situation in Canada.

Mr. Trudeau, however, dismissed protests saying the time had come for action, not discussion. Under the proposed reform, members of the House of Federation would be able to sit as Cabinet Ministers and be able to answer questions and participate in Commons debates but not to vote. Today, a Senator may serve as a Cabinet Minister but cannot answer questions in the Commons or participate in their debates.

WORLD TRADE NEWS

EEC may cut imports of textiles from Greece

By Margaret van Hattem

BRUSSELS, June 26.

THE EEC Commission is expected to act to curb Greek textiles exports to the Community unless the Greeks agree during talks later this week to respect 1978 quotas, agreed informally last December.

The Greeks, Brussels sources say, are romping through these quotas, particularly in the case of T shirts exported to the UK, and blouses to France. Both these countries are said to have protested strongly to the Commission and asked for retaliatory measures.

The problem is complicated by the fact that the Community's association agreement with Greece does not currently contain a safeguard clause. This limits the scope for retaliatory action, but it is suggested that tax rebates on some of these items, which act as subsidies, may be stopped.

Commission officials will meet Greek officials later in the week and if they get no satisfactory response regarding quotas, are expected to announce measures next week.

The Greek issue is part of a wider Community problem with Mediterranean textile exports. Spain is said to have exceeded quotas slightly and Britain is particularly disturbed by an overflow of Portuguese exports to the UK.

While other member states appear prepared to allow Portugal some leeway, Britain is taking a tough line and is expected to press for some form of policing to ensure that quotas are respected.

France to supply Spain with 48 Mirage fighters

BY DAVID WHITE

PARIS, June 26.

FRANCE HAS concluded a deal to sell 48 Mirage F-1 interceptor jets to Spain (worth probably $800m), according to reports here. The Dassault-Breguet aircraft company, however, whose Mirages are France's number one arms export, refused to comment.

The contract, which is understood to involve the Spanish aircraft company CASA in about 20 per cent of the work, has been brewing for several months, during which time the Spanish have also been negotiating with General Dynamics of the U.S. for its F16 fighter.

The aircraft, to be delivered between 1980 and 1982, would triple Spain's contingent of Mirage F-1s, and are in addition to 31 Mirage F111Es.

The contract is the first Mirage deal so far this year. The 48 aircraft would bring sales of Mirage F-1s to 554, including those ordered by the French Air Force, South Africa, Greece, Ecuador, Morocco, Libya, Kuwait and Iraq have also bought the aircraft.

Negotiations with Spain have centred on the amount of "compensatory" work to be given to CASA, which co-operates in several other projects with Dassault, and on Dassault's assistance in marketing Spanish-made aircraft.

The reported deal comes just before a visit by President Valery Giscard d'Estaing to Spain, starting on Wednesday.

The figure of FFr 3.8bn—about $800m—quoted in one report as the total value of Dassault's Spanish deal could not be confirmed.

The company's total exports of military aircraft, last year, including the Alpha-Jet which Dassault makes in collaboration with West German manufacturers, were FFr 8.2bn. This accounted for between a quarter and a third of all France's arms exports.

Spain is also believed to be studying the purchase of French Gazelle military helicopters, constructed by the *State-owned* Aerospatiale. The company is competing for the order, believed to be for 50 units, with Messerschmidt-Bolkow-Bloehm's BO-105 helicopter.

Robert Graham writes from Madrid: The main attraction for Spain in opting for 48 Mirage F-1 aircraft is the industrial spin-off. The Spanish aircraft industry that centres round CASA hopes that it will be able to supply a substantial part of Mirage components. Industry sources speak of an eventual production of 20 per cent of the Mirage parts.

There are also suggestions here that Spain, as part of the deal, would co-operate with France, in providing parts and marketing for third countries—especially Latin America and certain parts of Africa.

CASA is 65 per cent owned by the state holding company INI, but Dassault already have a small holding—0.1 per cent—and the two companies have a working relationship.

Oil swap talks in Tehran

BY DAVID WHITE

PARIS, June 26.

FRANCE APPEARS to have moved closer to securing an Iranian order for four nuclear power stations by accepting the idea of being paid in part in oil.

This change in France's negotiating stance—its policy has always been against a barter deal—was put to the Iranians during a weekend visit by M. Jean-Francois Deniau, the French Foreign Trade Minister.

It is not yet clear how much of the contract would be in exchange for increased Iranian oil supplies to France. The deal being negotiated is for four nuclear reactors of 1,200 megawatts apiece. These would be in addition to two 900 MW plants for which a French consortium signed a contract last year, worth an estimated Fr 15bn (£1.75bn), and to other plants being bought from West Germany.

The four reactors would be built by Framatome, part of the Creusot-Loire group, which headed the consortium in last year's deal.

UK exports to W. Germany slip

BY GUY HAWTIN

FRANKFURT, June 26.

EXPORTS OF British wholly manufactured goods to West Germany rose by 11 per cent during the first quarter of 1978—very much slower than the 19.3 per cent average growth rate for 1977 as a whole.

At the same time Britain's share of the West German market for wholly manufactured goods decreased from the 5.8 per cent achieved in 1977 to 5.6 per cent in the first quarter of the year. The current performance, however, is still considerably better than the 5.3 per cent share of the market recorded in the first three months of 1977.

Wholly manufactured goods, of course, represent only a part of Britain's exports to the Federal Republic. In the first quarter they accounted for DM1.77bn of Britain's DM2.74bn (£712.6m) shipments to this market.

It is to the wholly manufactured sector that British trade officials are looking to for growth. Too great a share of the UK's sales in the Federal Republic is accounted for by semi-manufactures and raw materials much of which, with the exception of North Sea oil, do not originate in Britain.

Overall export to West Germany, according to official German figures, are growing at a much faster rate. At the end of the first three months, they were up 18.9 per cent—although this, again, was rather lower than the 22.4 per cent increase achieved in 1977.

The main spur has been North Sea oil which is continuing to grow very quickly. First-quarter oil deliveries to West Germany were, in Deutschemark terms, 72.1 per cent up on first quarter, 1977's deliveries from DM160.2m to DM275.7m. At the same time Britain's share of imported crude increased from 2.6 per cent to 5.7 per cent.

Meanwhile, overall figures for the first four months of the year show total British exports to West Germany up by only 16 per cent to DM 3.68bn, and non-petroleum exports up 15.9 per cent at DM3.35bn. Britain's share of West German markets amounted to 4.6 per cent.

In reviewing the figures, it should be pointed out that they may well be distorted by the unusually early Easter. Furthermore, British exports to West Germany last year grew faster in the second half than in the first.

Trade pact with Iran anticipated

TEHRAN, June 26.

THERE ARE good prospects of an agreement this year between the European Economic Community and Iran, giving Iran most favoured nation status, EEC Energy Commissioner, Mr. Guido Brunner, said here.

The basis of the new accord, which has been under discussion for the past four years, would be a system of non-discrimination under which Iran would have open access for its products to the European Market within the provisions of the General Agreement on Tariffs and Trade (GATT) rules, he said after two days of talks with Iranian economic ministers and senior officials.

Mr. Brunner said a further round of talks with Iran would take place in Brussels shortly and he was hopeful for a final agreement, probably open-ended rather than covering a specific period, by the end of the year.

The agreement was expected to list Iranian products, including non-oil industrial goods such as steel and textiles, which should be granted access to the European market under appropriate conditions. Reuter

Sweden trade surplus forecast

BY WILLIAM DULLFORCE

STOCKHOLM, June 26.

SWEDEN IS heading for a foreign trade surplus of around SKr 3.9bn ($848m) in 1978 and optimism is growing among its export industries, according to the latest survey of company expectations by the Central Statistical Bureau. Last year the trade balance showed a deficit of SKr 4.6bn.

An accompanying report from the Bureau on first-quarter trade patterns shows that Britain regained its position as Sweden's largest customer with a 15 per cent growth in imports to SKr 2.6bn. West Germany bought 20 per cent more from Sweden and consigned Norway, which headed last year's statistics, to third place.

However, in spite of a 5 per cent fall in the value of its deliveries, West Germany continued to be Sweden's biggest supplier, with exports totalling SKr 4.12bn. This was well ahead of Britain's SKr 2.59bn, which nevertheless represented an 11 per cent improvement over the first quarter of 1977.

The Bureau's survey, taken in May, indicates that the value of Swedish exports should grow by 12 per cent to SKr 95.6bn this year—2 per cent faster than the rate forecast in February. Of the SKr 3.9bn surplus, SKr 2.9bn would be made in the first half of the year.

In contrast, imports are expected to grow by only 2 per cent to SKr 91.7bn, but this forecast, too, represents a significant change from the February survey, when companies thought imports would fall by 2 per cent in the first half of 1978.

The improvement in export expectations is particularly noticeable among the engineering companies, the steel exporters and the paper and board mills. Both engineering and paper exports are forecast to grow by 16 per cent in value this year, while iron and steel products should put on 24 per cent. Pulp exports are scheduled to grow by 10 per cent in value.

The shipyards provide the gloomiest forecast. In February they foresaw a decline of 34 per cent in export value. In May they estimated that their export income for 1978 would be 41 per cent lower than that for 1977. The figures *underline the* current plight of the Swedish shipbuilding industry.

ECGD Mexico dollar loan

THE EXPORT Credits Guarantee Department has guaranteed a $5.8m loan which the European Banking Company has made available to Celulosa y Derivados SA of Mexico. This is the first ECGD guaranteed buyer credit loan to Mexico to be expressed in dollars.

The loan will help finance a *$7.6m contract awarded to British* Cellophane by Celulosa y Derivados SA, under which British Cellophane will design and install a production line at Monterrey, Mexico to produce biaxally oriented polypropylene (BOPP) film—a modern clear packaging film. The production line is due to be commissioned by early 1980.

Additional finance for the project is being provided through a syndicated loan arranged by European Banking Company.

NEDO advice on exports

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

BRITISH COMPANIES making heating and cooling equipment should consider joint marketing operations in export markets, according to a National Economic *Development Office report.*

It points out that many manufacturers of this equipment produce complementary products sold to similar customers and could spread costs and risks by acting together in specified markets.

Although joint marketing or selling companies raise problems of control and accountability, "there is substantial scope for more co-operation between UK heating and cooling equipment manufacturers and also manufacturers of related equipment such as building materials, pumps and valves.

"Such co-operation might include the establishment of joint warehousing facilities, repair and maintenance services (in partnership, perhaps, with local contractors) and consortia to choose and support specific agents in overseas markets."

The Middle East markets might be tackled jointly if a number of equipment makers took an equity *stake in a joint marketing* company together with, perhaps, the National Enterprise Board.

The company would have one- or two-man sales offices in two or three Middle East locations. Their objective would be either to sell company products on their own account or to provide services to established agents. The company would become self-financing by charging a commission on sales to Middle East countries.

NEDO is willing to act as a catalyst in the formation of co-operative overseas marketing ventures and not necessarily those following the suggested pattern.

"Exporting heating and cooling equipment—with special emphasis on the Middle East." Free from NEDO.

GATT meeting called for

GENEVA, June 26.

THIRTY-FIVE developing countries taking part in the Geneva trade talks have formally requested Mr. Olivier Long, the *Director General of the General Agreement on Tariffs and Trade (GATT),* to call a meeting of the Trade Negotiations Committee (TNC), a group that is supposed to act as a steering unit for the world trade talks.

Apparently the developing countries were upset by the way the major industrial powers—the U.S., the EEC, Japan and Canada—had gone ahead with the trade talks, leaving the poorer nations the prospect of facing a far-reaching agreement on trade rules which they were not involved in making.

However, U.S. Special Trade Representative, Mr. Robert Strauss, said yesterday that he was delighted to learn of this developing country request

Reuter

Egypt Kenya air accord

KENYA HAS signed a new agreement with Egypt under which Kenya Airways is to airlift passengers from London to Cairo and back, **reports John Worrall from Nairobi.** An all-cargo Egyptair flight to Kenya has been granted for the first time. The agreement was signed in Nairobi by General E. Y. El-Shinnawi, president of the Egyptian Civil Aviation Authority, and Mr. A. M. Shitaka, Deputy-Secretary in the Kenya Ministry of Power and Communications.

PORTUGUESE INVESTMENT

Upjohn deal boosts chemical industry

BY JIMMY BURNS IN LISBON

THE Portuguese Government has formally approved a joint venture agreement between Quimigal, the nationalised petrochemical company and Upjohn of the U.S., aimed at allowing the Portuguese petrochemical industry greater access to the world market, boosting exports, and contributing in a positive way to the country's current balance of payments.

Under the agreement Quimigal will use the U.S. company's technical know-how and access to the intermediate chemical product MDE to build a new factory in Estarreja, in north west Portugal.

It will be capable of producing 50,000 tons of polyurethane per year. MDE is a derivative of the base chemical aneline which is already produced by Quimigal, but which has a much more restricted world market than polyurethane.

Total capital investment by the joint venture company called Isopor will be $20m, while additional financing for the project (estimated at $25m) will be in the form of long-term credit from Chase Manhattan Bank and the Export Import Bank (60 per cent), as well as from the Portugal's national development bank (Banco Nacional do Fomento).

The plant is expected to be completed by 1981 with a potential commercial value estimated at $38m per year.

The agreement between Quimigal and Upjohn is the first major contractual project to have been successfully screened by the Portuguese Foreign Investment Institute, a Government body set up earlier this year to deal with foreign investment as well as the transfer of technology.

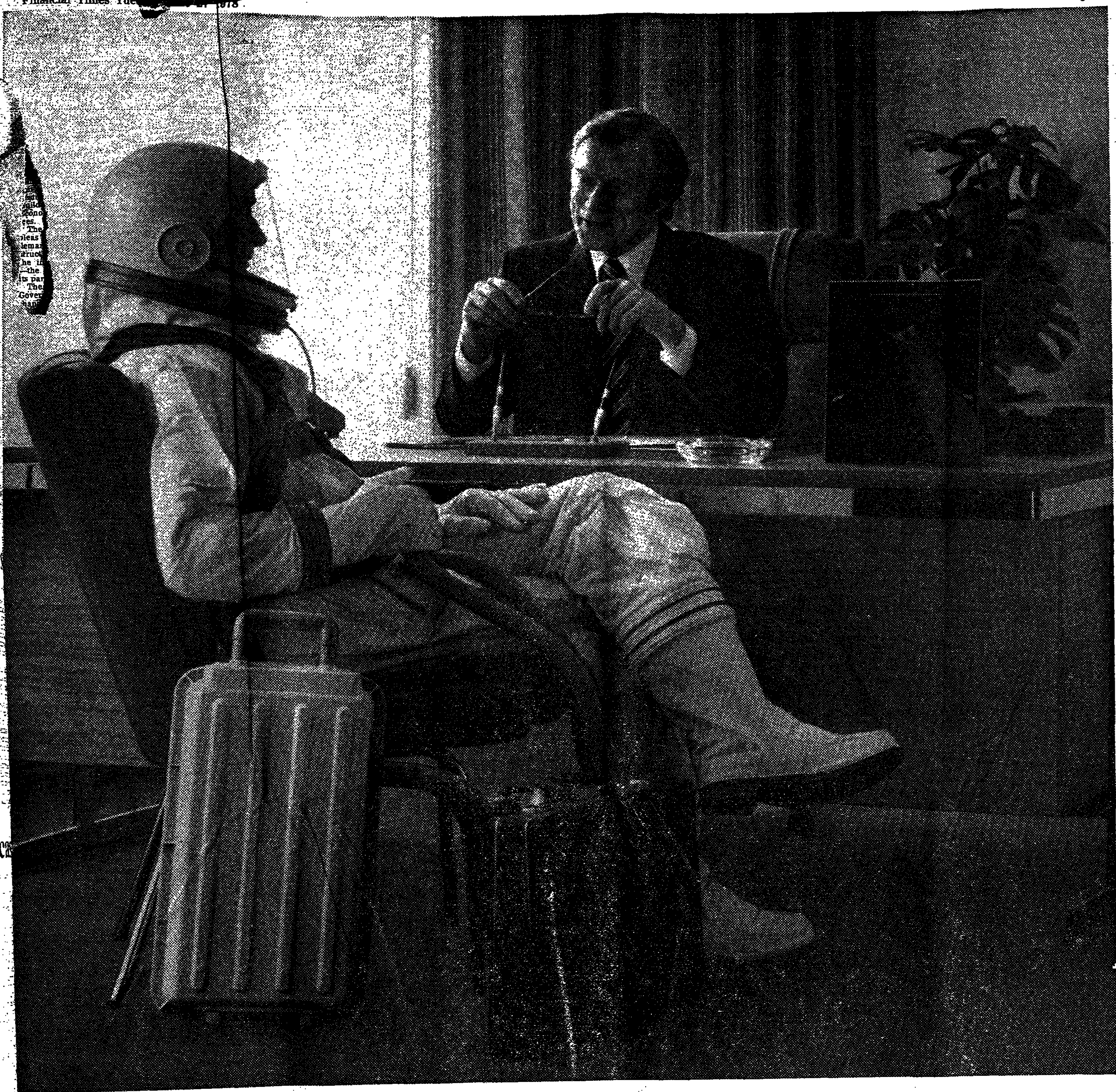
Portugal's current foreign investment code (announced on August 24 last year) stipulates that before a foreign company is allowed to invest it must first prove that the future investment will be of overall value to the Portuguese economy.

Upjohn's application apears to have met the essential criteria: that of making a positive contribution to the country's balance of payments, through the promotion of exports.

As a result, Upjohn will be granted certain investment benefits. These will include a total exemption from any form of industrial tax during the first five years of the project's operation, and a 50 per cent reduction in the taxes payable during the next 10 years.

Joint venture programmes such as the one agreed by Upjohn and Quimigal are expected to set the pattern for much of the restructuring of Portuguese industry that is so badly needed for Portugal's successful entry into the EEC.

Much of Portuguese industry today depends heavily on imports of raw materials and capital goods.



Your NatWest bank manager will help you export where you haven't exported before.

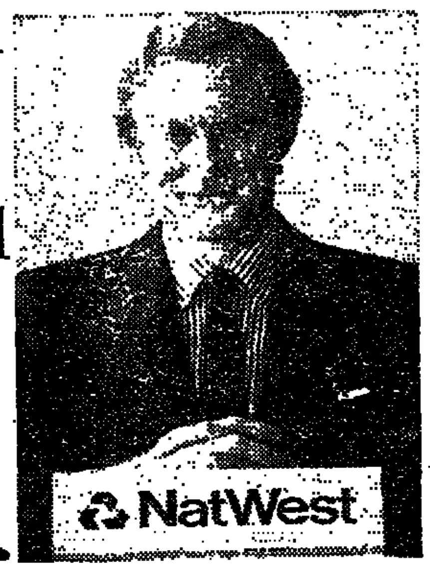
If you're left speechless at the prospect of exporting to unfamiliar places, go and see your local NatWest bank manager.

You'll find he speaks your language — and theirs. For specialist problems, he'll call in our experts from NatWest International and Credit Factoring International.

Between them, they know everything you need to know to export successfully.

They'll look after all your foreign currency problems, sort out forward exchange contracts, arrange any international factoring you may require, and advise you on local customs. Your local NatWest bank manager is only too willing to become your personal financial ambassador.

All you have to do is go in and ask him.



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HOME NEWS

Industrial decline to be analysed

By Peter Riddell, Economics Correspondent

POLICIES to reverse the relative decline of manufacturing in the UK will be considered at a two-day conference in London of 30 leading British economists.

The conference on de-industrialisation has been organised by the National Institute of Economic and Social Research.

It will bring together economists of widely differing views to allow a detailed discussion and comparisons of their approaches to a major policy issue.

Among the participants are Sir Alec Cairncross and Mr. Walter Eltis from Oxford: Lord Kaldor. Mr. Michael Posner and Dr. Ajit Singh from Cambridge; Mr. David Stout from the National Economic Development Office; Mr. Roger Thatcher, the Registrar-General from the Office of Population Censuses and Surveys: Lord Balogh; and Mr. Stuart Holland, from Sussex University, an architect of Labour Party industrial thinking in the mid-1970s.

Topics to be discussed include the nature of de-industrialisation; relations between price competitiveness and manufacturing performance; labour supply and employment trends; technical innovation and trade performance; the services sector: overseas investment: the Dutch experience: industrial strategy and the use of North Sea oil.

The aim is to produce the papers and a report of the proceedings by the end of the year in a 250-page book edited by Mr. Frank Blackaby, deputy director of the Institute.

A similar conference on demand management organised by the Institute last December published its proceedings this month.

The economic conferences are based on those organised by the Brookings Institution in the U.S.

British airlines fight for Dallas route

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS and British Caledonian Airways join battle tomorrow before the Civil Aviation Authority over which of them should be the designated UK airline on the New London-Dallas/Fort Worth route.

The State airline will be urging at a public hearing that under the Anglo-U.S. Bermuda Two air agreement it should be allocated the Dallas/Fort Worth route. British Caledonian, on the other hand, will argue that because it already flies to Houston it should be given the right to the other Texas route as well.

The U.S. airline now flying the route is Braniff, using Boeing 747s and Gatwick airport. Braniff also plans to serve Dallas/Fort Worth from Washington later this year, using Concorde subsonically under an agreement with British Airways.

The State-owned airline says it also wants to fly Concorde on from Washington to Texas subsonically from this November, but plans to introduce a daily Tri-Star service between the two cities from July, 1980.

British Airways already operates 26 transatlantic Concorde services a week (13 flights each way) between London and the U.S., of which 20 (ten each way) are to New York and the rest to Washington. There are a further six flights (three each way) between London and Bahrain. So far the airline has carried over 80,000 passengers on Concorde.

● In Canberra yesterday, Mr. P. J. Nixon, Australia's federal Transport Minister, said that considerable progress had been made in the first round of talks between Australia and Britain over cheaper air fares between the two countries.

The Australian negotiating team returned home yesterday, but Mr. Nixon said the talks would be resumed soon. It was clear that both Britain and Australia shared the objective of reducing air fares as much as possible.

● Mr. Iain Glidewell, QC, head of the Government inquiry into plans for a fourth air terminal at London Heathrow, returned to the airport for the second time yesterday.

He toured the site proposed for the fourth terminal on the southern perimeter road south-east of the existing three passenger terminals.

More than 400 individual and local authority objectors said at the start of the inquiry on May 31 that the terminal should not be permitted until the Government had clarified its airports strategy.

Fee for airport security may rise by only 10p

Financial Times Reporter

THE LEVY of 80p per person charged on all arriving passengers at UK airports to pay for security services is not expected to rise above 90p in 1979-80.

Mr. Stanley Clinton Davis, Parliamentary Under-Secretary for Aviation, said in a written Parliamentary answer that while it was difficult to make firm forecasts "unless there are very exceptional developments I hope that the rate of levy (for 1979-1980) will not exceed 90p per arriving passenger."

In making this statement, the Minister is giving some advance notice of the likely rate to tour organisers

'No hard reason' to end funded public sector pensions

BY ADRIENNE GLEESON

ARGUMENTS for abandoning funding of pensions for local government, nationalised industry and other public sector workers, are considered in written evidence presented to the Wilson Committee by the Government Actuary's Department.

The Government Actuary concludes that "there seems no compelling reason why the local government scheme should be funded" but present schemes for funding pension liabilities of public sector trading enterprises could be abandoned only if these enterprises also abandoned their claims to run on normal commercial lines.

If the Government was prepared to guarantee the pension liabilities of nationalised industries there would be no reason, on grounds of security, why such schemes should be funded rather than "pay-as-you-go."

If the nationalised industries were to operate on a commercial basis similar to that of private sector companies, only a system capitalising future liabilities was suitable.

Public sector pension funds now have a market value of about £13bn, and are growing by about £2½bn a year.

The is partly because the level of income from employees and employers is, so far, much greater than the level of benefit payments, and partly because, as well as earning around £900m a year from interest, dividends and rent, the aasets in which the funds are invested are subject to capital appreciation.

If the funds were closed to new contributions, and the assets and earnings were used to pay past service benefits, the Government Actuary estimates that there would be an initial saving of £600m a year in local authorities' spending and a saving of £1.5bn a year for the rest of the public sector.

The savings would be eroded as the level of past service benefits increased when workers retired. If the funds were handed over to the Boards of the industries concerned or to the local authorities their cash flow would benefit, initially, by about £2bn a year.

The Government Actuary says that the savings could be used to increase working capital, reduce the prices of goods and services or, in the case of the local authorities, to relieve rates.

However, the Government Actuary says that the technical problems of converting funded public sector schemes to a non-funded basis would be complex, possibly involving sale of extensive assets to the possible detriment of the investment markets.

If, however, the rate of inflation continued high, and real rates of return on investment continued low or negative, pressure would grow for a change to a new system, possibly for a material pay-as-you-go scheme.

No check on job grants claims Du Cann

BY DAVID FREUD

PARLIAMENT was voting large sums of money to promote employment, yet there is no way of telling whether they were effective, Mr. Edward Du Cann, chairman of the Commons' Public Accounts Committee, said yesterday.

He told Sir Peter Carey, Permanent Secretary at the Department of Industry, who was appearing as a witness before the committee, that figures assessing the success of measures should be made available to MPs.

The measures referred to are under Section 7 of the 1972 Industry Act, which allows for Government grants to "provide, maintain or safeguard employment."

Mr. Du Cann said that according to a recent report by the Comptroller and Auditor General, only two-thirds of the jobs for which grants had been made under this section had been actually created.

"If I were a cynical man, I would say that this was all a con—that companies acted on the basis that no one was going to check their forecasts and made up any old story."

Sir Peter replied: "It may be that we were conned in the early days, but I don't believe that is happening now. I do not believe the departments are soft touches in this matter."

The Department of Industry was beginning to match predictions with results, but it would probably be about six months before the computer details were available. All the department had were the disaggregated figures.

Backbenchers

Even when all the figures were put into the computer on the same basis, he doubted whether a satisfactory way of matching estimates and results could be developed.

"We have to separate out this issue from others, some of them intangible."

Mr. Du Cann said: "Firms calculating things in different ways is no reason for us not to have these figures. It's the job of backbenchers to see that the job of Government is being done."

Sir Peter denied a suggestion by Mr. Robert Taylor, Conservative MP for Croydon North-West, that a Department of Industry civil servant knew about department intentions to give a grant to a Welsh company before his wife bought its shares.

Mr. Steven Maltz's wife had been a shareholder in Penrad, a central heating manufacturer, for a considerable time before the decision.

He had made extensive inquiries into the allegations and has concluded that the purchase was a coincidence, Sir Peter said.

Future of UK helicopter production in balance

BY ANDREW TAYLOR AND PHILIP BASSETT

THE LONG-RUNNING dispute over piecework payments at Westland Aircraft's Yeovil helicopter factory has raised a major question about the future of the country's sole helicopter manufacturer and has resulted in the company threatening to dismiss its 2,000 manual workers.

Two weeks ago the company said that it was forgoing an interim dividend and that profits in the present year were likely to be disappointing because of the pay problems at Yeovil.

What shocked the City, however, was the announcement that provisions of about £5m made against helicopter operations last year were likely to be substantially increased in the present year.

This weekend the company said that the pay row had placed the future of its Westland Helicopter subsidiary in jeopardy.

The initial reaction to these depressing statements in the City was that another Fairey Aviation-style collapse was possible.

Westland's share price has slumped from its high for the year of 52p to a low of 30p.

Some of the company's critics in the City are persuaded that the Government would be unwilling to allow the helicopter side—with 70 per cent of output going to the Defence Ministry—to collapse completely.

A recently negotiated £40m contract involving Westland and Rolls-Royce to supply Lynx helicopters with Rolls-Royce engines to Egypt gives weight to this argument.

At the centre of the company's pay problems is its contract with the Ministry of Defence, negotiated in 1973, to supply Lynx helicopters to the British and French forces.

It was against this contract that Westland made its helicopter provisions last year. These were to cover fixed-priced elements in the contract—which had been overtaken by inflation—and also to cover the rising wage bill at Yeovil—increases which the company said had not been matched by increased productivity.

The company has been trying for 18 months to end the piecework system of payments at the

NEWS ANALYSIS

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WESTLAND

factory which affects less than half the manual workers—but which, the company says determines bonus payments for all the manual workers.

Last weekend the company, unable to reach agreement, sent letters to all the workers threatening dismissal. The letters said that dismissal notices would offer the men their jobs back under new terms.

Early last year the unions agreed to the introduction of a flat-rate system with no piecework, but the system was withdrawn because Westland thought it would have inflamed the already serious differential problems with the staff.

It would also have created differential problems with workers in other parts of the group, and a work measurement scheme which the company required was not included in the proposals.

A new agreement was reached on June 5 last year. This moved the Gazelle helicopter to the Westland plant at Weston-super-Mare to allow work on the Lynx helicopter to be caught up.

It put the Lynx line on a fixed wage, concluded the Stage Two increases, and agreed a proposal to negotiate a flat-rate system by April of this year.

The flat-rate system the company proposed was a basic rate for manual workers of £71 per week, with a £10 "frozen" supplement, which would be reduced over a 12-month period to act as a cushioning effect against the ending of the higher rates of pay under piece work.

A 10 per cent productivity bonus was offered if the workers could achieve 100 per cent of the company's turnover within present labour costs, but the unions thought that unlikely.

A revised productivity deal was offered, giving £3.55 per week. The unions rejected the whole offer at a meeting last week, prompting the company to issue its warning of dismissals.

The deal would give a range of new rates from £59.54 to £87.34, with a skilled worker in the middle range, for example receiving £84.55.

The unions see these rates as a wage cut for skilled workers of up to £12.50, and a cut of up to £23 when the "frozen" supplement of £10 is fully eroded.

Westland sees the attempt to end piecework as a step to get the company out of its difficulties and secure the future of helicopter manufacture in Yeovil.

If union leaders at the plant genuinely thought that taking a wage reduction would help the situation, there might not be the objections there are to the idea. Their jobs depend on the viability of the company.

Germany backs Channel tunnel

BY IAN HARGREAVES

INTEREST IN a Franco-British plan to revive the Channel Tunnel concept came yesterday from Herr Kurt Gscheidle, the West German Communications Minister.

Herr Gscheidle, who was in London for talks on railway matters with Mr. William Rodgers, Transport Secretary, expressed interest in promoting the tunnel as part of a future EEC infrastructure programme.

The German delegation in fact raised the issue, on which Mr. Rodgers has studiously avoided commitment so far.

Sir Peter Parker, chairman of British Rail, who was present for part of the talks, presented Her Gscheidle with an outline of the tunnel scheme as conceived by French and British railway planners.

A study on this scheme for a simplified single-bore, rail-only tunnel, is almost complete. It could be built at a much lower cost than the old Channel Tunnel planned.

A communique on the talks said that Britain and Germany would work together so that rail could win a greater share of freight movement between the two countries. At present, railways carry only about 17 per cent of goods and the rest go by road.

Yesterday's meeting arose out of complaints by Herr Gscheidle that the British authorities were not giving sufficient support to British Rail's international freight business.

In particular, the Germans felt that UK customs had unnecessarily delayed rail wagons and that the Government had stalled on crucial investment in rail ferry ships.

The Germans are said to have withdrawn their complaint about customs on the strength of yesterday's meeting and investment Mr. Rodgers gave assurance that he would look carefully at any forthcoming British Rail plan to renew the rail ferries which become obsolete in 1982.

Agreement was also reached yesterday on a 10 per cent increase in the lorry permits granted by the German authorities to British road hauliers. This takes the total number of permits available to 9,000, a level still regarded by the British Government as far too low.

HOME CONTRACTS

Generators for JET project

The European Atomic Energy Community has awarded a contract worth more than £8m to GEC MACHINES, Rugby, for two 2600 MJ flywheel generator convertor systems for the Joint European Torus (JET) nuclear fusion experiment, at Culham, Oxon.

The two systems will provide pulse power to large coils which produce the complex magnetic configuration to induce current into the plasma and help control the shape, size, position and stability of the plasma ring. Peak power is about 200 MW, and the pulse can be repeated every 10 minutes.

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ORDERS totalling more than £9m have been placed by main contractor Snamprogetti for equipment for the fluid catalytic cracking unit and related facilities under construction for Pembroke Cracking Company at Pembroke, South Wales, where it will serve the Texaco and Gulf refineries. CAPPER - NEILL INTERNATIONAL has a £5.9m contract for atmospheric storage tanks for crude oil and refined products, and storage spheres for propane; while FOSTER WHEELER is to supply three process steam boilers at £2.7m. Other contracts include MOTHERWELL BRIDGE a de-isobutanizer column, at £373,000; EMTROL CORPORATION, cyclone separators at £311,000; and PIGNONE ENGINEERING for an acid settler and iso tripper at £600,000.

Contracts totalling £7.5m have been won by DEREK CROUCH CONSTRUCTION COMPANY, including two radio stations in the Shetlands, one at Firth Voe, the other on the island of Brassay; a housing estate at Rothesay on the Isle of Bute; more than £1m-worth of council house revitalisation and construction in Newcastle upon Tyne; and an Activity Centre and public house at Milton Keynes.

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A contract worth over £300,000 has been awarded to FOSTER WHEELER POWER PRODUCTS for the construction of fired heaters in an extension to the Humberside refinery of Conoco.

Sixth form grants plan costs dispute

By Michael Dixon, Education Correspondent

A DISPUTE over administrative costs is delaying initial agreement between Government and local education authorities on means-tested grants for school sixth-formers, which are due to start in September next year.

A maximum grant of £7.50 weekly seems likely to be approved by both sides in London today. An additional £4 child allowance from April would bring the payment into line with allowances for unemployed teenagers at £11.50 a week.

The Council of Local Education Authorities, however, has suggested that administration would add about 10 per cent to the cost of the grants paid to children staying at school beyond the age of 16.

The Department of Education and Science — which hopes that the scheme might persuade up to 60,000 more teenagers to stay in full-time education — believes that administrative costs would be negligible.

It says that local authorities already have machinery for distributing grants to students in further and higher education.

No courts for judges

TWO JUDGES hearing cases in the High Court, London, today will not have a court because of an acute shortage of accommodation.

Lawyers and witnesses in the cases will meet in a court corridor to wait for a High Court official to try to find them courts where hearings might be held or adjourned.

Bid to close chemical plant

BY ROBIN REEVES, WELSH CORRESPONDENT

RESIDENTS IN Pontypool, South Wales, are campaigning to close Re-Chem International's chemical incinerator, the plant at the centre of the row over disposing surplus U.S. stocks of the toxic insecticide, Kepone.

They have applied formally to the Attorney-General for permission to pursue a High Court action against the company. If it is granted they will seek a High Court order requiring Re-Chem to shut the plant and move elsewhere on the ground that, at its present site, it is causing a public nuisance.

The move is the result of legal advice sought by a local environment group, the Panteg Environmental Protection Association. It has been told that although collecting scientific and medical evidence necessary to prove environmental damage would be difficult, the fumes from the plant provide a good case for seeking closure on the ground of public nuisance.

The incinerator is a few hundred yards from a residential area. People have long complained that they are sometimes unable to sit in their gardens because of the smell.

The association said yesterday that it recognised that Re-Chem was doing a vital job in disposing of toxic wastes, but local residents did not see why they should live with the consequences. The site of the plant, established in 1974, was a planning blunder.

Move to cut arms sales debts

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

THE MINISTRY of Defence is to improve its methods of obtaining payment for U.K. arms sales overseas and reduce the volume of outstanding debts.

The U.K. had £87m worth of bad debts on arms sales in 1976-1977 of which nearly £14m had been overdue for more than nine months. Nearly half was owed by four countries—not disclosed—some of which "were almost certainly having cash flow problems."

The latest report from the Commons committee of public accounts says that it was told that no overseas country had been refused arms deals because of a poor record of payment, but Ministry's defence sales organisation would expect prepayment in the case of one country.

The total outstanding debt to the Ministry rose from £38m at the end of 1974 to £87m in 1976-1977, "thus causing the Ministry a considerable loss of interest on voted working capital.

"Besides these delays in the settlement of claims, invoices for the training of overseas personnel and for sales of ammunition have frequently not been presented to customers until a long while after the Ministry had incurred the expenditure and charged it to defence votes."

The Ministry said that efforts would be concentrated first on improving systems of securing speedier payment, including the introduction of a computerised invoice control system, with better methods for monitoring all types of claim and for hastening payment by debtors. This should be in operation by next year.

It was also reconsidering administrative arrangements for defence sales generally, aiming at the Royal ordnance factories and the Government-owned Millbank Technical Services, both playing a more commercial role.

The Commons committee said that "if the benefit of defence sales to the British economy is to be maximised, we regard it as essential that every effort must be made to streamline operations so as to keep the overhead costs down and prices as high as competition will allow.

"The staff concerned should adopt a fully commercial approach toward these transactions, right from the time an order is accepted up to when the customer pays the final bill.

The MPs were also critical of the cost of the Navy tug Wakeful, renamed by some Navy personnel as "Wasteful." After many defects, including a breakdown immediately after a £1.9m refit, the overall cost of maintaining the 493-tonne ship and rectifying faults, has amounted to £2.7m on top of its purchase price of about £700,000.

"We find it difficult to accept that the Ministry got value for the £3.4m so far spent on this ship."

FT CONFERENCE—SCOTTISH FINANCE AND INDUSTRY

Scots 'in danger of being over-governed'

BY JOHN LLOYD

MR. TEDDY TAYLOR, Shadow Scottish Secretary, told a Financial Times conference on finance and industry yesterday that the Government's devolution measures could lead to Scotland becoming the most over-governed country in the world.

On Government estimates the assembly would cost £12m a year and employ at least 1,000 extra civil servants. It would add greatly to delays in effective decision-making.

"Should there be the additional problem of a Scottish Secretary of State and the assembly Ministers belonging to different and competing political parties, I believe the problem could be greater.

"With a European Parliament and Westminster sharing sovereignty with the Scottish assembly, allied to our two-tiered local government system, there is a clear danger of Scotland becoming the most over-governed country in the world."

Mr. Gordon Wilson, a Scottish National Party spokesman on devolution, said that the assembly was only the first and somewhat faltering step towards Scottish government.

"It is only a matter of time before the assembly reaches out for financial and economic powers. History teaches us that political power without fiscal power is unstable. The executive and legislative responsibility of the assembly will be enhanced by the right to finance its own expenditure.

"In essence, whatever is spelled out, the Scotland Bill creates an executive authority which will be responsible and responsive to a new and ambitious Scottish political structure."

The history

Defending devolution measures, Mr. John Smith, Minister of State at the Privy Council office, said that we had become dangerously complacent about Government institutions. Constitutional change had to come to respond to demand for administrative decentralisation.

"The time has arrived not to place extra burdens on our organs of government but to make changes in them."

The UK would be strengthened "by securing its future in a recognition of its diversity as well as its underlying and profound sense of unity."

Too much caution had been shown over devolution. The UK was highly centralised and that trend had increased over the recent past.

More recently, pressures for a spreading of powers away from the centre had been felt.

Two extremes had been put forward: independence and the maintenance of the status quo.

History had shown that the Scots wanted to retain the union since it was made in 1707 and that it wanted to keep its old institutions and develop new ones by which it could handle more of its own affairs.

Change was necessary but within well-defined boundaries. The union had to be preserved. The UK Parliament must remain sovereign, Scotland and Wales should have control over those matters where control did not endanger the unity of the country and there should be a "special respect for the national consciousness of the component countries within the union."

The Government had thus proposed a balance of responsibilities between the Scottish assembly and Parliament. Powers of government in health, education local government, land use, roads and transport infrastructure would be devolved.

But, major industrial strategy remained in the hands of the UK Government, as did regional and industrial assistance.

Besides this, "we shall continue to regulate the framework of trade and ensure that no new or artificial barriers are erected to infringe on our own long-established internal common market."

Prof. D. C. MacKay, head of the economics department at Heriot Watt University, believed the assembly should be given revenue-raising powers, since that would encourage financial responsibility. Since it was not being given such powers, the current assessment of expenditure—on the basis of an estimate of needs by the assembly—should be modified.

It was important to avoid bitter fights over marginal resources and, thus, an objective system of determining funds should be arrived at. This could be based first on population movement, second, on demographic profile and third on relative income.

Mr. James Milne, general secretary of the Scottish Trade Union Congress, said: "The tragedy of our present position is that in our efforts to deal with inflation we have compounded the present low levels of economic activity and have made our present employment position and our relative standard of living worse."

Scotland's problem was part of the general crisis of the western industrial countries: unemployment in the OECD countries was running at nearly 17m. The UK problem was exacerbated by a reluctance to invest in domestic industries.

The union movement believed that there was no point in bleating about imports if more resources were not devoted to industrial modernisation.

Besides calling for more investment by the public and private sectors, Mr. Milne advocated a shorter working week, a reduction in the working year and earlier retirement. Overtime should be cut.

Mr. John Davidson, acting general manager, medium/light vehicle division, Leyland Vehicles, said governments through the National Enterprise Board did not give Leyland merits and their ability to perform as generators of cash.

The future

"Between them, they will top £200m in sales this year, of which half will be to export markets, and employ over 9,000 people, making Leyland the third largest employer in Scotland."

Conditions had to be favourable to the small and medium company if Scotland was to have any kind of economic future, said Mr. Lewis Robertson, chief executive of the Scottish Development Agency.

There were 600 to 700 medium-sized companies—between 100 to investment money but lent it with interest. The Scottish Leyland plants at Bathgate and Glasgow stood or fell on their 1,000 employees—and about 6,000 small ones, employing less than 100 staff.

The Government could assist these concerns by granting them a breathing space from legislation and by proposing wise, long-term policies for oil revenue.

There was no crucial overall shortage of finance but there was an equity gap. Equity was urgently needed because of high inflation, high interest rates, high income and capital transfer taxes.

Lord Weir, chairman of the Weir engineering group, said that it was necessary to establish whether Scottish industry was serving those world markets in which there would be growth.

The opportunity to radically restructure the traditional industries of coal, steel, shipbuilding and heavy engineering had been missed. However, the strategy of broadening the industrial base had been relatively successful.

Mr. Gregor MacKenzie, Minister of State for Scotland, said that Scots unemployment was more in line with the UK generally, as were wage and investment levels.

German glass items fetch £124,750

SALEROOM

BY ANTONY THORNCROFT

PROBABLY THE BEST collection of German glass to reach Sotheby's auction rooms in many years was sold yesterday for £124,750.

The 31 items were gathered by an English collector in the first half of the last century and sold by his descendants. Only one minor lot was left unsold.

The top price was the £22,000 paid by Hubner, a German dealer, for a documentary gilt and enamelled armorial stangenglas and cover made for Hans Praun of Nuremberg in about 1598. A companion piece went to the same buyer for £13,000.

Hubner also paid £20,000 for a green-tinted diamond engraved roemer — either Rhenish or Netherlandish—dating from the early 17th century.

Zietz, another German dealer, who has been active in the von Hirsch sale—which continued last night with a sale of Impressionist and modern paintings—paid £14,000 for a Tyrolese bowl painted with birds and made at Innsbruck in about 1580. All lots carry a 10 per cent buyer's premium.

Also at Sotheby's, St. Michael's College, Tenbury Wells, sold its celebrated collection of French classical music of the 17th and 18th centuries for £120,000 almost double the estimate.

The collection, known as the Toulouse-Philidor, was sold in one lot to the French Bibliothèque Nationale. It consists of both printed and manuscript music, mainly operas and ballets, including 30 works by Lully. It belonged to the college which is basically a music school, for more than a century.

Sotheby's held an auction of English and Continental miniatures too which totalled £105,8[illegible]. Lavendar, a London dealer, paid £12,000 for a miniature of a lady of the court by Nicholas Hilliard, painted about 1590.

A pair of miniatures of Mr. and Mrs. Ludbey by Samuel Shelley sold for £3,200, while one of General Junot, by Jean Baptiste Isabey, fetched £3,000.

At Christie's, a Sienna-dated albarello of 1501 painted by maestro Benedetto with a portrait of a Moor in a roundel realised £14,000. It was bought by Cyril Humphris, the London dealer, in a sale of Continental pottery and Italian maiolica which made £107,833.

Reichert, a German dealer, paid £13,500 for a pair of Brussels faience partridge tureens and covers, circa 1760.

A documentary Hamburg faience blue and white rococo tea caddy and cover by Johann Otto Leffel made £4,500. It was bought on behalf of a North German museum.

A Gubbio tondino, circa 152[illegible], also went to Humphris for £3,80[illegible].

Builders' plea to Whitehall

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

A CALL for an end to damaging fluctuations in workloads for the construction industries came yesterday in a report from the Building and Civil Engineering Economic Development Committees.

The report repeats previous pleas for improved levels of demand management in the construction sector and says that *the industry's biggest customer*—the Government—must play its part.

The committees say that the Government should avoid rapid changes in the industry's workload which had proved *economically and socially costly.* Only when a rapid increase in demand could take up spare capacity or a decrease can cure overheating should such a policy be considered.

Fresh approach

"The dramatic decline in demand since 1973 has wasted considerable resources in idle capacity, reduced efficiency and caused much individual hardship.

"Some capacity has been permanently lost, but a significant amount can still be retained if it can be utilised again in the near future. Indeed, *without a marked infusion of* work, the potential of the construction industries may be significantly reduced."

There should be a fresh approach to the task of planning the construction sector's workload. A regular, medium-term assessment of future demand and capacity should be undertaken by the committees themselves, with assistance from the Government and the industry.

Assessments should cover five-year periods and be updated every second year.

"We are aware of the severe difficulties involved in assessing future demand but believe that this approach is fundamental to the problem of obtaining a better match of construction demand and capacity.

"A better match of demand and supply should not only help to prevent overheating and unemployment but should also enable resources to be used more efficiently.

"With greater confidence in the security of future work, the construction industries should be able and willing to speed up the pace of their work."

On the effects of fluctuating demand on future growth, the report says that even when confidence has been re-established it takes a number of years for training and investment to work through into increase capacity.

After the severe decline in demand recently experienced, the construction sector would need to be confident about the strength of any future upturn before it would increase training and investment.

Its present lack of confidence was exacerbated by indications that, "a fundamental structural change in the demand for construction work" may be taking place.

The Government, which said recently it was committed to stabilising public sector demand, is preparing a response to the recommendation for more stable construction demand.

How Flexible is Construction?; SO: £3.29, postage paid.

BR standby plan for Calais hovercraft

By Lynton McLain

CONTINGENCY PLANS for *cross-Channel hovercraft services* have been prepared by British Rail in case the French Sedam N500 craft fails to enter service as planned on July 5.

A test demonstration flight of *the N500 from Dover to Calais* was cancelled by SNCF, the French rail authority, last week.

British Rail said that "administrative difficulties" had forced the cancellation, but structural problems with the craft are understood to have contributed.

Bookings

The administrative difficulties were certain to be resolved, British Rail said. The craft, with its capacity of 400 passengers and 45 cars, would then join the British Rail Seaspeed Super 4 hovercraft in passenger service to France.

In case of difficulties with either of the new craft, its passenger bookings had been programmed on the assumption that there would be only one craft, the proven SRN4 Princess Margaret, with 250 passengers and 28 cars capacity.

Low growth rate 'means more unemployment'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT IS expected to grow in all the main industrial countries as a result of continuing low rates of economic growth, according to Economic Models, a London *economic consultancy.*

The firm expects that the upturn in world output this year will be brief and will be followed by a pause at the end of this year and early next year. That is because Japan and West Germany *will not take the* required "locomotive" role in world expansion and the United States cannot do so because of its external balance.

However, an increase in world output is projected for the second *half of next year.* That will be in response to delayed policies of fiscal expansion introduced early next year after the general recognition that last year's stimuli are no longer effective.

Economic Models says that the United Kingdom outlook remains relatively optimistic this year although there will be another "disappointing year" next year. Personal consumption is expected to grow by 5.7 per cent in real terms this year and 3.6 per cent next year.

Gross fixed investment is also expected to grow rapidly by nearly 5 per cent. In spite of a faster growth in imports than exports, real Gross Domestic Product is projected to increase by 2.9 per cent this year and by 2.6 per cent next year.

The current account is expected to be in surplus by £1bn this year. That is rather higher than other recent estimates.

The firm takes a similar view to other *forecasters* about inflation prospects, projecting a slight acceleration in the rate of consumer price inflation to almost 11 per cent next year.

Renewed price inflation is also expected next year in the rest of the world except Italy and Canada.

The acceleration next year is expected to be only *partly the* result of higher world commodity prices, with pressures also from increases in wages, and given the pessimistic outlook for output

New accountancy body

BY MICHAEL LAFFERTY

A NEW professional accounting body was launched yesterday by three of the main UK accounting bodies. Called the Association of Technicians in Financing and Accounting, it aims to provide a second-tier qualification for people working in finance and accounting throughout British industry and commerce.

The sponsoring bodies are the English Institute of Chartered Accountants, the Institute of Chartered Accountants, the Institute of Cost and Management Accountants and the Chartered Institute of Public Finance and Accountancy.

The first president of the new body is Mr. Michael Lickiss, chairman of he education and training committee of the English chartered accountants and a partner in Thornton Baker and Co.

The new organisation has already provoked dissension in the *accountancy* profession. Another leading accountancy body, the Association of Certified Accountants, has already launched its own second-tier qualification and will not join the new association.

Disagreement here is believed to centre on the certified accountants' insistence that it wanted to run its own examinations for its junior body. The other three bodies are basing their scheme on exams run by the *Business Education Council* through polytechnic courses.

Entry requirements for the Association of Technicians in Financing and Accounting are a minimum of four "O" levels at grade C. Applicants will be required to take a three-year part-time course while gaining experience at work.

Durable goods shops benefit most from sales boost

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

Durable goods shop, such as gas showrooms and radio and television rental specialists, did best out of the overall increase in retail sales in April, according to the latest figures produced by the Business Statistics Office.

While cash sales of all retailers were running 16 per cent up on the same month last year in April, those of durable goods shops were up 25 per cent.

Non-food shops in general notched up a bigger increase than those selling food. Turnover through food shops was up only 14 per cent on last April, against 17 per cent for *non-food* shops.

In both sectors, it was the multiple chains which generally did best, though the Co-op did very well in durable goods and, in terms of year-on gains, the gas showrooms did *better than* any other kind of trader.

Within the non-food sector, the durable goods shops did best. Both the mail order chains and clothing and footwear shops achieved above-average gains of *19 per cent, against 15 per cent,* for department stores and 13 per cent for miscellaneous non-food shops, such as bookshops and jewellers.

A breakdown of the durable goods sector into different kinds *of traders shows that the Co-op* did best. The value of its sales was 34 per cent up on last April, against 16 per cent for independents and 31 per cent for the multiple chains.

The kind of merchandise selling best within the durable sector seems to have been that put in the statistical category of "other durable goods shops."

Cash sales of the gas showrooms, for example, were up 63 per cent on last April, while those of the radio and television rental specialists were up 24 per cent. The value of this group's sales was up 27 per cent on last April, against 19 per cent for furniture shops.

Co-op food

The Co-op did less well in the food sector. While the value of sales through all food shops was up 14 per *cent* in April, that of the Co-op was up only 13 per cent.

As in previous months, it was the multiples which showed the biggest gains on food with cash sales up 19 per cent on April, 1978. The *independent food* stores managed an increase of only 8 per cent.

Taking the whole spectrum of retail sales, the picture was much the same with the multiples doing best and the *independents* worst. The value of retail sales in multiples was up 20 per cent on last April.

Elton resigns from Alcan and Hill Samuel posts

BY MICHAEL BLANDEN

MR. JOHN ELTON, who became chief executive of the Hill Samuel merchant bank at the beginning of this year, is to retire from full-time executive duties at the bank.

He will also retire as chairman of Alcan Aluminium (UK) at the end of this month.

Mr. Elton, who had spent all his working life with Alcan, surprised the City in 1976 when it was first announced that he was joining Hill Samuel.

He said yesterday that his decision to leave the executive job at the *merchant* bank had been made because he had found it impossible to combine the pressures of the work and the international travelling involved with his family life.

At Alcan, Mr. Elton said, he felt he had now completed the task started in 1968 of turning the group into a UK public company.

With the recent conversion of the convertible stock, Alcan (UK) is now 20 per cent owned by British shareholders

Mr. Denniss Pinn, deputy chairman and deputy managing director, will become chairman and managing director at Alcan (UK).

At Hill Samuel, Sir Robert Clark, the chairman, will resume the chief executive duties he relinquished when Mr. Elton took over.

Mr. Elton has agreed to remain on the Hill Samuel Group Board and will also *remain on the Board of Alcan* (UK) as a non-executive director.

He is also a director of Spillers, and said that he will probably now look for one or two more non-executive directorships. He would, he said, now spend more time on "the things I like doing, such as sailing and farming."

Hydron 'should capture 10% of UK lens market'

BY CHRISTOPHER DUNN

HYDRON EUROPE, one of the world's leading manufacturers of contact lenses, should capture 10 per cent of the UK market for soft lenses by the end of the year, Mr. Jim Macdonald, president, said yesterday.

The forecast was made after Mr. Eric Deakins, a junior Minister at the Department of Health and Social Security, had opened officially the company's £1m factory at Farnborough, Hants.

Mr. Macdonald said that Hydron had sold 12,500 soft lenses in the UK after only six *months' trading.*

Until January 1, it was excluded from Britain as part of a licensing agreement, now dissolved, with Smith and Nephew, the UK company with interests in medical supplies, cosmetics and toiletries.

Sales in the UK had been very buoyant, said Mr. Macdonald. Hydron should sell 25,000 soft lenses by the end of this year.

The UK market for soft lenses is thought to be worth £250,000 a year, or 40 per cent of the total lenses market in this country, which includes the old hard lenses.

The company, which sells lenses in more than 30 countries, services *its overseas operations* from Farnborough.

Sales last year rose 40 per cent to $5m, and the company is competing in the UK with more than 30 manufacturers of lenses, including Bausch and Lomb, the leading U.S. manufacturer.

Hydron, a subsidiary of the U.S. company, National Patent Development Corporation, also hoped to use its Farnborough factory to spearhead a sales drive into the U.S., said Mr. Macdonald.

Tanker 'on wrong course'

BY PAUL TAYLOR, INDUSTRIAL STAFF

THE LIBERIAN Board of Inquiry investigating the Amoco Cadiz disaster was told yesterday that the vessel was on a course before the steering failed that would have taken it into the wrong shipping lane.

Mr. Cosmo Vaudo, second mate, who was on watch at the time, said that as the tanker approached the Ushant separation scheme off the Brittany coast it was a course which would have taken it across the zone dividing shipping lanes.

The course set was only "an indicative heading" and strong winds and sea were pushing the vessel back into the correct lane.

Mr. Barry Sheen, counsel for Shell, the charterers, suggested that Mr. Vaudo made a sharp turn to starboard when he realised that the tanker was entering the separation zone in the wrong lane.

Mr. Vaudo replied that, by the time the vessel approached the separation scheme "we were already entering our lane."

Deck awash

He denied, under cross-examination, that the second of the two anchors had not been dropped when the vessel was drifting towards the French coast because it had been faulty.

The starboard anchor had not been used, he said, because the wind and sea was coming from that side and the deck was awash preventing the crew from reaching it.

The hearing continues today.

Big City of London plan

A BIG development plan for the City of London is being prepared by the Corporation. It will cover all aspects of the City's environment, including transport, catering, leisure, and community services, and will recognise the need to give archaelogical excavations priority in development.

In advance of the plans being finalised, the City has published background studies. Companies, residents, employees, and other interested bodies are asked to make comments on these studies to help planners formulate a final plan.

The development plan will be carried out in three stages: the first will be an examination of the trends and issues affecting the City; the second will put forward alternative plans of development; and the third will be the formal plan which will require the approval of the Environment Secretary.

THE JOBS COLUMN

Six ways of not quite getting to the top

BY MICHAEL DIXON

AT LUNCH after the evidently successful final interview, the chairman of the employing company remarked to the candidate how pleasant it was to relax and be sociable.

"Oh yes," replied the would-be managing director engagingly. "But it's very hard to get totally away from executive work, isn't it? I think the only time when I relax properly is at the end of the month when my wife and I go to the local Rugby club and get drunk."

He received the letter of rejection the next morning.

I owe that story to head-hunter Michael Silverman head of Merton Associates (Consultants). The demand for chief executives has risen some 20 per cent. over the past three years, by his count, and he estimates that each of the top opportunities attracts about 25 candidates with impressive career records.

Of these, of course, only one can get the job. But not long ago, Mr. Silverman decided to do some "action research" into why other candidates fail even though their experience and qualifications fit, if not surpass, the employer's needs.

The explanation commonly given by recruitment consultants is "poor chemistry," he says. But the aim of his informal study was to investigate the cause of the adverse reaction a bit more deeply.

His findings reinforce a widespread view among recruiters that physical appearance accounts for a fair number of failures, with highly qualified people being rejected ultimately because they are short in stature, overweight and/or bald. Even so, it seems that a greater number of candidates are rejected for flaws which are far more easily avoidable.

"Most often an executive fails because of some unintended but fatal slip in his behaviour during the final interviews with the employing company's chairman or its main Board management committee," *Michael Silverman told me.*

"The variety of individual reasons for failure is extensive. But my recent study of 30 candidates for nine chief-executive openings, indicated that most of the mistakes made are one of six basic kinds."

The first, he added, is an inability on the candidate's part to put over his or her special competence with the polished crispness which the final interviewers not surprisingly expect in a budding chief executive.

Many managers have climbed internal promotion ladders by dint of just developing their skills without ever really thinking of how these could best be communicated verbally to other people. Hence, when faced with a need to express their abilities to relative strangers, they are liable to emit a jumble of cliches and impenetrable jargon. And the more skilful the interviewers are at making candidates feel at home, the greater is the peril of lapsing into broken Double Dutch.

Having once asked a sales director, two and a half gins and tonic into an informal party, how he got his representatives to turn in such good results, I know that Mr. Silverman's observation here is true. The sales chief's reply (which I shall never forget) was:

Indubitably

"Clearly, er, the balanced application of both positive and negative KITA is indispensable, but it would be no go unless the hygiene factors were interfaced with some active motivation, which should be individualised because, when all's said and done, it takes all kinds to make a world."

The second main kind of mistake is to rationalise one's own past failures, typically by explaining at length how the few blemishes in the record, although nominally one's own responsibility, really arose from the coincidence of malign circumstances and criminal lunacy among the supporting staff.

In general, interviewers would prefer to know that the candidate has made mistakes, and has learned from them. Besides, it is quite possible that the interviewers will include someone with knowledge of the failure in question, who will then take the shilly-shallying candidate to pieces, and with relish.

The third kind of mistake is to be overly critical of one's current employer. "This kind of behaviour demonstrates a lack of the discretion that is considered crucial at the highest levels of a large company," Michael Silverman added.

Fourthly, he said, the aspiring chief is all too prone to display his powers of leadership by being overpowering or even arrogant during the interview. True, the average chairman will not want a lamb as a managing director, but he may be equally chary about lying down with a lion. Moreover:

"There is another side to arrogance that puts off a selection committee just as much. Sometimes a candidate will adopt a very casual style during his interviews, offering superficial knowledge about the company and clever answers to key questions. This informality suggests he has more important things to worry about than getting the job."

The fifth type of flaw—a tendency to over explain—Mr. Silverman illustrated with the sad case of the would-be head of a big shipping concern owned by a City holding company.

The candidate knew that the shipping group had been having financial problems, primarily because of poor controls over its many divisions. He also knew that he was on the shortlist because his career record indicated that he possessed just the sort of competence that was lacking in the company.

So when he came up before the interviewers in the City, he assumed they would want to know precisely what he would do when appointed to the job.

Glassiness

But before he could finish his detailing of the necessary technical and financial steps to be taken, a glassiness in the eyes of the selectors across the table showed that he had lost them, and the job, beyond recall.

Last but not least among the flaws is a failure to appreciate that top-level selectors may be fastidious about points of dress or grooming. Just recently a potentially first-rate insurance chief went through three successive days of interviews, only to be undone by his clothes. It wasn't that he was badly dressed. His suit was beautifully tailored. But he ought not to have worn it on all three occasions.

As a safeguard against these common errors, Mr. Silverman offered four tips for aspiring chief executives approaching their last judgments. They are:

1—Brief yourself comprehensively about the company and the executives who are likely to conduct the interview. Three years worth of annual accounts and reports in directories and the Financial Times should suffice in the case of the company. A person ready to say openly why he or she wants the information on the executives, could probably obtain it from other managers in the same industry or, where there is one, from the recruitment consultant.

2—While talking to the interviewers keep constantly alert for, and smoothly respond to, any signs either verbal or in their behaviour that you are not being clearly understood or are taxing their patience.

3—Respond to questions as though you were talking to an acquaintance who is about to catch a train, albeit on a line where the service is frequent.

4—If you have nothing positive really to say about any particular issue, it is best to say so.

CONTRACTS AND TENDERS

HOME NEWS

CONSUMER CONFIDENCE

Worries over unemployment spread gloom more widely

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

A MUCH more gloomy view of the future than at the time of the April Budget is reflected in the Financial Times's latest survey of consumer confidence. The optimism expressed immediately after the Budget has been replaced this month by a feeling *that things are getting worse.*

Moreover, in spite of the recently reported rise in earnings, people are feeling slightly worse off than in May. The respondents were less enthusiastic about the advisability of buying consumer durables this month than last, while worries about unemployment increased.

The survey, carried out each month by the British Market Research Bureau, is designed to find out how people feel about the future and their present financial position.

Of the consumers interviewed immediately after the Budget, optimists outweighed pessimists by 12 per cent. This month, pessimists are in a majority of 8 per cent, the first time they have outnumbered the optimists since last July. All age groups showed the fall and all social groups except working-class women.

The feeling that "things are getting worse" became more widespread, and, whereas inflation and the Government are blamed no more than before, other factors, such as law and order and immigration, are being cited as reasons for pessimism.

A minority of the pessimists blamed their lack of confidence on the possibility of an election.

The fall in confidence was particularly marked among professional men although they remain slightly more optimistic about the future than men in *blue-collar jobs.*

Because of the more cheerful views expressed earlier this year, the six-month moving average indices of consumer confidence for all adults and for ABC1 men is still showing a balance of optimists. However, the trend is downhill.

The unemployment index supports the gloomier view. Although most people interviewed said unemployment would stay at about its present level, 39 per cent said it would increase this month. That compares with 36 per cent last month predicting a rise and 28 per cent in January, when confidence was at its peak for the year.

Depressed

The respondents are also asked each month whether they think now is a good time to buy consumer durables. This month, that index has fallen close to its November-December level. Those in favour of buying now still outnumber those against by 16 per cent among all adults, but again that is a much lower figure than in January.

The decline was particularly marked among professional men, while certain regions, including the North-west and Yorkshire, remained depressed.

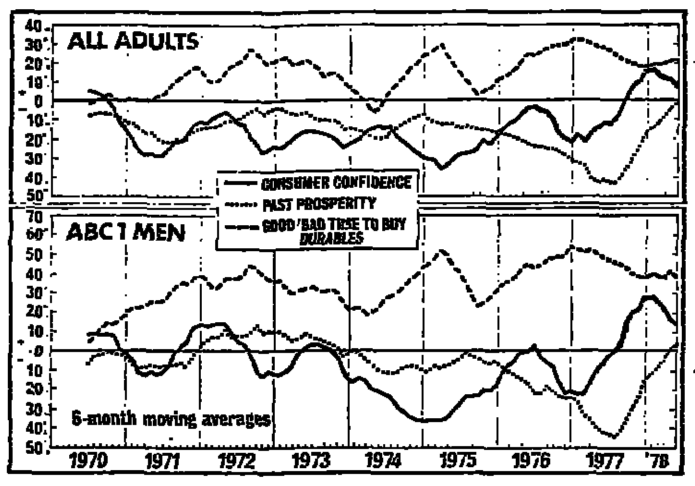
Although the "time to buy" index fell this month, the six-month index showed little change for all adults, although it has *moved down for professional* men.

The other main question is whether people feel worse or better off than a year ago. In January, after a long period in which those feeling worse off predominated, those feeling better off took the lead. The figure fell again in February but recovered in May to +3 per cent.

This *month the respondents* were equally divided. On balance, women feel worse off and men better off, especially manual workers. That suggests that husbands do not pass on a *proportion of their wage increases* to their wives.

The fall in prosperity is particularly marked among those aged over 55. People in the 15-to-35 age group are feeling more affluent than a year ago.

A total of 1,009 adults were interviewed between June 8 and 14.



FT GROCERY INDEX

Smallest rise for three months

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE COST of the Financial Times grocery basket rose by just over 1 per cent this month. The rise, which is the smallest for three months, pushed the Index —re-launched in March—up to 104.18.

The increase was almost entirely due to the higher cost of fresh foods—prices of processed foods were remarkable for their lack of change. Small increases in the bills for dairy produce and non-foods were offset by falls in the prices of other *groceries such as canned goods* and bread and cereals.

These price cuts are probably only temporary but they reflect the intensity of the price war *among supermarkets.*

Against this, the fruit and vegetable bill rose by more than £20 this month. Although tomatoes and lettuces cost less *than last month, most other vege*tables cost more. Cauliflowers were up anything between 5p and 20p each while carrots were up between 2p and 17p a pound with the more expensive new ones taking the place of the old ones on the greengrocers' shelves.

Since it was re-launched, the *new index makes some seasonal* adjustment for dearer new potatoes coming into the shops.

The meat bill rose by more than £3 this month. Most cuts, except stewing steak, cost a little more than last month but he increases were biggest on lamb.

Copies of the list used by the *25 FT* shoppers are available from Miss Ingaret Eden, the Financial Times, Bracken House, Cannon Street, London, E.C.4.

THE FINANCIAL TIMES SHOPPING BASKET
JUNE, 1978

	June £	May £
Dairy produce	471.57	471.24
Sugar, te, coffee, soft drinks	179.42	179.92
Bread, flour, cereals	213.31	231.72
Preserves and dry groceries	84.33	84.41
Sauces and pickles	40.65	40.80
Canned goods	155.02	155.32
Frozen goods	182.60	183.49
Meat, bacon, etc. (fresh)	427.48	424.26
Fruit and vegetables	259.90	238.79
Non-foods	182.85	182.38
Total	2,215.13	2,192.33

·dex for June: 104.18.

Animal feed cartel put on register

By Our Consumer Affairs Correspondent

DETAILS OF the common pricing agreement operated by the main suppliers of animal feed stuffs in this country were formally put on the Register of Restrictive Practices yesterday.

The agreement, which has now been abandoned, came to light during the Price Commission's survey of the industry. Under it, six out of the seven companies examined agreed to co-ordinate some aspects of their pricing policy.

The Commission was scathing about the level of competition in the industry in general and concluded that BOCM-Silcock was the price leader which other companies followed.

Details of the collusive agreement formed by the Commission, *which was strongly criticised by* the industry for its report, have been passed on to the Office of Fair Trading.

Quarterly analysis of bank advances

to UK residents by banks in the UK at May 17, 1978; as Table 4 in the Bank of England Quarterly Bulletin

£m		ADVANCES TO UK RESIDENTS Total	of which in sterling	of which in foreign currencies	FINANCIAL Total financial	of which in sterling	Hire-purchase finance houses	Property companies	Other financial
London clearing banks	1978 Feb. 15	16,532	15,147	1,386	1,992	1,673	137	788	1,068
	May 17	17,177	15,560	1,617	2,077	1,671	152	772	1,154
Scottish clearing banks	1978 Feb. 15	2,225	1,935	290	225	148	32	65	127
	May 17	2,329	2,018	311	254	158	32	70	153
Northern Ireland banks	1978 Feb. 15	539	537	2	20	18	3	13	5
	May 17	553	552	2	20	19	2	13	5
All banks	1978 Feb. 15	38,991	28,210	10,781	7,001	4,463	693	2,468	3,839
	May 17	40,845	29,444	11,401	7,496	4,625	854	2,416	4,226
of which in sterling	1978 Feb. 15	28,210			4,463		648	2,019	1,797
	May 17	29,444			4,625		751	1,966	1,908
Changes: in sterling	Nv.'77/Feb.'78	+1,162			+ 44		+ 42	− 20	+ 23
	1978 Feb./May	+1,234			+162		+103	− 53	+111
in foreign currencies adjusted for exchange rate effects§	Nv.'77/Feb.'78	+ 251			+ 82		+ 10	− 12	+ 84
	1978 Feb./May	− 57			+177		+ 53	− 26	+150

		MANUFACTURING Total manufacturing	of which in sterling	Food, drink and tobacco	Chemicals and allied industries	Metal manufacture	Electrical engineering	Other engineering and metal goods	Shipbuilding †	Vehicles	Textiles, leather and clothing	Other manufacturing
London clearing banks	1978 Feb. 15	4,348	4,123	585	433	255	333	957	372	332	426	656
	May 17	4,366	4,078	640	475	218	333	939	394	227	454	688
Scottish clearing banks	1978 Feb. 15	522	488	99	34	26	23	83	116	12	56	73
	May 17	543	509	109	35	22	21	96	120	8	59	73
Northern Ireland banks‡	1978 Feb. 15	109	109	22	—	—	—	35	—	—	22	30
	May 17	104	104	20	—	—	—	31	—	—	24	28
All banks	1978 Feb. 15	9,807	7,782	1,646	1,762	523	717	1,677	537	678	787	1,480
	May 17	10,064	7,834	1,771	1,806	512	742	1,722	575	531	842	1,563
of which in sterling	1978 Feb. 15	7,782		1,244	1,086	461	603	1,492	495	603	660	1,138
	May 17	7,834		1,306	1,081	441	602	1,506	524	453	713	1,208
Changes: in sterling	Nv.'77/Feb.'78	+375		−137	+ 54	+ 23	+ 49	+145	+ 26	+167	+ 43	+ 6
	1978 Feb./May	+ 52		+ 62	− 5	− 20	− 1	+ 14	+ 29	−150	+ 53	+ 70
in foreign currencies adjusted for exchange rate effects§	Nv.'77/Feb.'78	+155		− 3	+154	+ 4	+ 6	+ 2	—	+ 3	+ 25	− 38
	1978 Feb./May	+ 83		+ 38	+ 8	+ 5	+ 18	+ 19	+ 7	− 1	− 5	− 7

		OTHER PRODUCTION Total other production	of which in sterling	Agriculture, forestry and fishing	Mining and quarrying	Construction	PERSONS Total persons	of which in sterling	For house purchase	Other
London clearing banks	1978 Feb. 15	2,238	2,213	1,142	110	987	3,319	3,314	1,081	2,238
	May 17	2,238	2,207	1,171	115	953	3,503	3,496	1,112	2,391
Scottish clearing banks	1978 Feb. 15	437	387	278	72	87	342	342	91	251
	May 17	443	384	286	70	86	373	373	98	275
Northern Ireland banks	1978 Feb. 15	128	128	86	3	39	111	111	27	84
	May 17	139	129	93	4	42	119	119	28	91
All banks	1978 Feb. 15	4,511	3,641	1,577	1,301	1,633	4,962	4,931	1,491	3,471
	May 17	4,670	3,691	1,637	1,424	1,609	5,230	5,209	1,535	3,695
of which in sterling	1978 Feb. 15	3,641		1,569	531	1,542	4,931		1,490	3,441
	May 17	3,691		1,626	564	1,502	5,209		1,533	3,676
Changes: in sterling	Nv.'77/Feb.'78	+106		+ 68	− 15	+ 54	+167		+ 20	+148
	1978 Feb./May	+ 50		+ 57	+ 33	− 40	+278		+ 43	+235
in foreign currencies adjusted for exchange rate effects§	Nv.'77/Feb.'78	− 51		− 4	− 31	+ 4	+ 10		—	+ 10
	1978 Feb./May	+ 56		+ 2	+ 43	+ 11	+ 12		+ 1	− 13

		SERVICES Total services	of which in sterling	Transport and communications	Public utilities and national government	Local government	Retail distribution	Other distribution	Professional, scientific and miscellaneous
London clearing banks	1978 Feb. 15	4,635	3,823	376	655	75	968	833	1,727
	May 17	4,992	4,107	398	712	64	1,040	935	1,843
Scottish clearing banks	1978 Feb. 15	700	570	97	89	37	96	110	271
	May 17	717	595	97	93	29	108	106	284
Northern Ireland banks‡	1978 Feb. 15	171	171	—	20	5	62	29	55
	May 17	170	170	—	17	5	66	27	56
All banks	1978 Feb. 15	12,710	7,393	1,641	3,007	714	1,431	2,656	3,261
	May 17	13,385	8,085	1,709	2,998	731	1,568	2,877	3,501
of which in sterling	1978 Feb. 15	7,393		724	171	322	1,389	1,742	3,044
	May 17	8,078		813	150	434	1,526	1,907	3,254
Changes: in sterling	Nv.'77/Feb.'78	+470		+ 87	− 44	+ 42	− 63	+153	+293
	1978 Feb./May	+692		+ 89	− 21	+112	+137	+165	+210
in foreign currencies adjusted for exchange rate effects§	Nv.'77/Feb.'78	+ 33		+ 30	− 66	− 5	− 21	+126	− 11
	1978 Feb./May	−361		− 81	−178	−118	− 2	+ 2	+ 16

† Including lending under special schemes for domestic shipbuilding. ‡ The analysis provided by Northern Ireland banks differs slightly from other banks. Chemicals and allied industries are included indistinguishably in "Other manufacturing"; Metal manufacture, Electrical engineering, Shipbuilding and Vehicles in "Other engineering and metal goods"; and Transport and communications in "Public utilities and national government." § The figures exclude as far as possible the effect of changes in exchange rates on the sterling value of advances in foreign currencies.

MPs unite in condemning Rhodesia massacre but . . .

Owen attitude to settlement fuels violence, say Tories

THE MASSACRE of eight missionaries and four of their children, including a three-week-old baby, at a Rhodesia mission run by the Elim Pentecostal Church, close to the Mozambique border, was an "appalling tragedy," Dr. David Owen, Foreign Secretary, said in the Commons yesterday.

MPs on all sides joined in expressing their revulsion at the atrocity. Mr. John Davies, shadow Foreign Secretary, speaking of "this ultimate bestiality" and Liberal spokesman, Mr. Jeremy Thorpe, saying that the whole House shared the horror of what had been done.

But there the unity ended, as Mr. Davies claimed that the British Government, by cold-shouldering the Rhodesian internal settlement, was encouraging those who sought power "by the bayonet, the club and the gun."

Dr. Owen firmly defended the policy adopted by the British and U.S. Governments. "Within the limits of our ability to bring about peaceful negotiations, we are right to adopt the attitude we have done ever since the internal settlement was established—neither to condemn nor to endorse it," he declared.

Dr. Owen said he was sure that the House would join in expressing the deepest sympathy for the families and friends of those murdered and our admiration for the Christian spirit and courage with which the Pentecostal Church had decided to stay on in Rhodesia.

"The fact that those who have been murdered were solely concerned with working for peace *and conciliation between the* races is a horrific reminder of the dangers in Rhodesia today and of the escalating level of indiscriminate violence which has been building up now for five years."

Dr. Owen added: "This latest tragedy confirms the urgent need to bring about by every available means, round table *talks to achieve a negotiated* settlement which will bring an end to the fighting.

"We have a joint Anglo-U.S. team at this moment in Salisbury and I believe that we are making some progress towards our objective of round table talks.

"It is for the leaders of all the parties to respond now in a way that measures up to their overriding responsibility to bring about a non-racial, peaceful and independent Zimbabwe."

For the Opposition, Mr. Davies asked: "Cannot the shock of this ultimate bestiality bring all concerned to their senses?

Incidents

"Despite all their protestations, can there be any real doubt that the mounting toll of death and mutilation is the responsibility of the Patriotic Front and none other?"

By persistently cold-shouldering those involved in the internal settlement, the Government had only encouraged those who sought power "by the bayonet, the club, and the gun."

Mr. Davies called on Dr. Owen to offer "real support" to those who had agreed to reach a peaceful settlement.

There were jeers and protests when Dr. Owen replied: "What more can one do?" Cutting off all links with all the parties would gravely jeopardise our chances, he warned.

"*Within the limits of our* ability to bring about peaceful negotiations, we are right to adopt the attitude we have done ever since the internal settlement was established—neither to condemn nor to endorse it," he added.

For the Liberals Mr. Thorpe suggested that the tragedy might offer the opportunity for a major *diplomatic initiative, involving* Mr. Callaghan, the U.S. President and the five Front-line African Presidents. This could aim at achieving a cease-fire as a vital prelude to further negotiations.

Dr. Owen agreed that a cease-fire or reduction in the level of violence would be of great benefit. Both the Prime Minister and the U.S. President were in fairly constant contact with the front-line Presidents, he added.

Mr. Roderick MacFarquhar (Lab. Belper), said he had heard reports that the co-leader of the Patriotic Front, Mr. Robert Mugabe was responsible for the massacre and had said he was not prepared to meet with other leaders for round-table talks.

Dr. Owen said that Mr. Mugabe, *who had not denied his involve*ment in previous incidents, had specifically denied any responsibility for the mission massacre.

"I am not aware that he has changed his position on being prepared to come to round-table talks," the Foreign Secretary added.

There were furious Tory shouts of "Disgraceful" when Mr. Andrew Faulds (Lab. Warley E.) claimed that Dr. Owen had hinted that the attack was not made by the Patriotic Front.

Mr. Faulds, persisting against a barrage of shouts from Tory MPs, said: "Some of us believe that this attack was not made by the Patriotic Front, but, as has happened before, by agents of the Smith regime such as the Selous Scouts, for obvious and obscene propaganda purposes against African liberation forces."

Dr. Owen denied making any hints. "I have not implied or imputed any such thing. I have not hinted at that. I have said I do not know. That is a factual position.

"I think MPs would do well to mirror the example of the Elim *Pentecostal Church which* seems to have been able to get strength and succour from the situation in Rhodesia and, in looking forward, not backwards, show that it can work towards peace."

Mr. Maurice Macmillan (C. Farnham) said that some Tories had predicted events of this nature following the Cubans' arrival in Africa.

Dr. Owen told him that a central objective of British foreign policy must be to avoid the spreading of Cuban involvement in Africa. To avoid the search for a genuine solution would hasten, or at least increase, the risk of that happening.

Mr. Peter Blaker (C. Blackpool S) said that by appearing to "lean against" the internal settlement in favour of the Patriotic Front, Dr. Owen might encourage the latter to think their best hope of success was to continue to fight it out.

Dr. Owen denied he had given this impression.

Mr. Stan Newens (Lab Harlow) said it was far more likely there would be more massacres of both blacks and white until a settlement was reached which recognised the legitimate rights of the Patriotic Front.

Later, a call for an emergency debate was turned down by the Speaker, Mr. George Thomas.

Mr. Ronald Bell (C Beaconsfield) wanted to debate "the duty of Ministers to do immediately what is in their power to prevent the certain repetition of the murderous assaults on British subjects by persons operating from neighbouring territories with which Britain maintains diplomatic relations."

A cold shoulder rebuke

BY PHILIP RAWSTORNE

DR. DAVID OWEN, Foreign Secretary, stood firmly by his Rhodesia policy under an intense and emotional attack from Conservative MPs in the Commons yesterday.

The Rhodesian massacre had confirmed the urgent need to bring about the round table talks that would achieve a negotiated settlement and end the fighting, he said. A joint Anglo-U.S. team in Salisbury was now making some progress towards that objective.

"It is for the leaders of all the parties to respond now in a way that measures up to their overriding responsibility to bring about a non-racial, peaceful and independent Zimbabwe.

The callous murder of the missionaries had been a horrific reminder of the dangerous violence that had been mounting for the past five years, Dr. Owen said.

But for the next 50 minutes, the Foreign Secretary faced a savagely critical response from the Tory benches. Mr. John Davies, the party's foreign affairs spokesman, said the shock of this "ultimate bestiality" should bring everyone to their senses.

From the Government it should prompt "real support" for the internal settlement, he snapped. Its persistent cold-shouldering of the move had encouraged those who sought power by the bayonet, club and gun.

"What more can one do?" Dr. Owen asked patiently, amid angry Tory jeers.

He had neither condemned nor endorsed the internal settlement but had done his utmost to widen the areas of agreement. The chances of peace would be gravely jeopardised if all links with all the parties were to be cut off.

The Conservatives further incensed by some Labour suggestions that the massacre might have been carried out by Rhodesian security forces, massed for the assault.

Sir John Eden (C, Bournemouth W) said the Foreign Secretary had implied that it was wrong to murder missionaries but that it would have been legitimate to kill anyone involved in the internal settlement. "Exercise some humility," he barked.

"I suggest you examine your conscience and I will examine mine," the Foreign Secretary retorted. He had not dedicated himself as a doctor to qualify any life as legitimate or illegitimate, he said.

And as the Opposition MPs renewed their demands for a change of policy, he doggedly insisted: "I do not think there is any alternative to the one I have put before the House."

Britain would have lost all influence if it had given unconditional support to the internal settlement, he said. It was vital to continue the efforts towards round-table talks, he reiterated.

Japanese offer on lower tariffs unacceptable, says Dell

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A WARNING was given last night by Mr. Edmond Dell, Trade Secretary, that Japan's latest offer to reduce her tariffs as part of the current world multilateral trade talks was "totally unacceptable."

Speaking in the Commons, he indicated that as far as he was concerned, the Japanese offer should be rejected by the EEC countries.

He was also critical of the Americans suggesting that in some areas, their tariff reductions did not go far enough to meet the needs of Britain and other members of the European Community.

Mr. Dell's remarks came in a debate on trade shortly before he was due to depart for Luxembourg for a further stage of the multilateral trade talks today and tomorrow.

He told MPs that the movement towards a more open world trading system was now in peril as a result of a lack of growth and high levels of unemployment. It was also endangered by the continuing Japanese surplus, which made it more difficult for the other countries to accommodate the deficits which resulted from the OPEC surplus.

The Minister understood the feelings of insecurity in Japan, which led to their big trading surplus. "But they must reduce this surplus by opening up their markets by importing more manufactured goods and not just filling their tanks with OPEC oil.

"One thing the Japanese Government could do to improve the atmosphere of the multilateral trade negotiations is to make a much better tariff offer than they have so far done.

"The tariff offer they have made is totally unacceptable. If it is left on the table, as it is, then I believe the EEC will have to react accordingly."

In the face of scepticism from the Tory opposition, Mr. Dell stressed that he would like to see better opportunities for Japanese investment in Britain.

"But I wish that the possibilities of inward investment in Japan were as open as the possibilities of inward investment in this country," he added.

In addition, he saw dangers from a rise in protectionist sentiment in the U.S., and pointed out that America still had a large surplus with the European Community.

The position was still rather unsatisfactory. In the current negotiations, we were aiming not just for a reduction in tariffs over an eight-year period, but for harmonisation of tariffs.

The characteristic of the American tariff system had been a series of high peaks. Yet only by harmonisation could real reciprocal benefits be achieved.

"I cannot say that the U.S. offer, from this point of view, is a very satisfactory one," he told the House.

On wool and textiles, the American proposal went nowhere near meeting the requirements. In this field, we had not so far received the response for which we had hoped by way of harmonisation.

There was still a long way to go on all these issues during the multilateral talks. "We accept that it is a vital necessity that the negotiations be successful.

"It would be a bitter blow to the whole world trading system, if we failed to come to a successful conclusion," he said.

Howe wants 'enterprise zones' for industry

BY RICHARD EVANS, LOBBY EDITOR

SPECIAL "enterprise zones" should be set up in slected industrial regions of the UK so that companies could make profits and create jobs with as much freedom as possible, Sir Geoffrey Howe, shadow Chancellor, proposed yesterday.

In what he stressed was a personal initiative Sir Geoffrey argued that fresh policies involving fewer restrictions and less State interference could be developed so that their full potential could be tested.

In particular, he proposed five key elements, which would have to be maintained for a stated and substantial number of years, so that entrepreneurs would be attracted to the zones. These were:

1—Planning control of any detailed kind would cease to apply. Any building that complied with very basic anti-pollution, health and safety standards and was not over a stated maximum height would be permissible. Industrial development certificates would not be required.

2—The Community Land Act would be put effectively into reverse. Public authorities which owned land would be required within a specified time to dispose of it to private bidders by auction in the open market. New developments in the area would be free from rent control.

3—Entrepreneurs who moved in would be granted exemption from development land tax and perhaps exemption from rates, in whole or in part.

4.—Businesses would be given a guarantee that tax laws affecting investment and depreciation would not be changed to their disadvantage and they would also be given an undertaking they would not be subject to nationali*sation. No Government grants* or subsidies would be payable to any enterprise within the area.

5.—Certain other legal obligations or threats should be declared not to operate, including price control and pay policy. In addition other measures such as certain provisions of employment protection should be stated not to apply.

Test market areas in places like east London, Clydeside, Merseyside and the West Midlands where substantial areas of land could be designated to be developed with as much freedom as possible to make profits and create more jobs.

Sir Geoffrey's speech, made to the Bow Group in east London, will be seen as an attempt by the shadow Chancellor to influence Tory party thinking in the key period when the manifesto for the next election is being prepared.

More generally, his speech concentrated on the necessity of ending restrictive Government policies and adopting policies that would give much greater incentive. Top of his list was a recasting of the taxation system.

Pressure group wants Secrets Act replaced

BY RUPERT CORNWELL, LOBBY STAFF

THE STEADILY growing *pressure group fighting for a* radical overhaul of Britain's official secrets legislation last night issued its own "White Paper" on the subject, which goes considerably further than the real proposals promised by the Government next month.

The pamphlet, published by the Freedom of Information Campaign, claiming to represent 200 MPs of all parties, as well as trade unions and other community groups, demands a full-scale Freedom of Information Bill, which would place the onus squarely on civil servants to justify the withholding of information.

The proposals, and the exemptions permitted under them, would replace the existing Official Secrets Act in its entirety. The Government intends no more than suggestions for the replacement of Section Two of the Act, the so-called "catch-all" provision which makes disclosure of all official information an offence.

Cabinet Ministers are still promising proposals before Parliament breaks up from the current session. But the delay since Mr. Merlyn Rees, Home Secretary, announced in November, 1976, *the Government's plan* to issue a White Paper already tops 19 months, and there is now a large degree of scepticism at Westminster.

Last night, Mr. Kenneth Warren, Tory MP for Hastings and a leader of the campaign, accused civil servants of stalling by "deliberately confusing" reform of Section Two with the wider issue of a Freedom of Information Act along American or Scandinavian lines.

And Mr. Arthur Lewis, Labour MP for Newham North West, stated that the Civil Service had displayed "stifing arrogance." Britain, he declared, was the most secretive country in western Europe.

The document, entitled "a Model White Paper on Freedom of Information" says great stress on ease of access, as well as on the broad right of the public to official information. Exemption, other than on the grounds of privacy, would be limited to Cabinet minutes, military, police and internal security information, and various categories of commercial and personal data.

MPs chronicle high cost of navy tug

BY RUPERT CORNWELL

THE SORRY saga of the HMS Wakeful, an ill fated foray by the Royal Navy into the second hand shipping market, has been embarrassingly chronicled in the latest report from the powerful Public Accounts Committee of MPs at Westminster.

The all party committee, which acts as Parliament's watchdog on spending by government departments, also takes the Ministry of Defence to task for failing to chase up money owed by foreign governments for arms *purchases and personnel training.*

Such unpaid bills exceeded £57m by December 1976, of which £13m had been outstanding for more than nine months.

HMS Wakeful, or "Wasteful" as it became known, was a 493 tonne tug in Swedish ownership. It was bought by the Navy in 1974 for just under £700,000, for secret duties in the Clyde area involving nuclear submarines and surveillance of offshore activities by the Soviet fleet.

However, after receiving a clean bill of health at the time of its purchase, the vessel was plagued by faults. In 1976, it required a full refit, only for one of its engines to fail as it returned to service in January 1977. Further repairs laid up the ship until early this year.

By February 1978, the committee notes, the bill for rectifying the flaws and maintaining HMS Wakeful totalled £2.7m over and above its original cost. The price of a new tug at that time would have been only £1.5m.

The report comments drily: "We find it difficult to accept that the Ministry of Defence got value for the £3.4m it has spent so far on this ship. The Ministry of Defence expects to spend an average of £380,000 a year on future refits and over £200,000 on running costs."

This last figure alone is 10 times that quoted to the Treasury when authority for the *purchase was sought.*

Mr. Edward du Cann, Tory MP for Taunton and PAC chairman, declared last night that it was intolerable at a time when defence spending was under pressure that taxpayers should not receive value for money. The Defence Ministry, he added, was not the only department to which such rebukes applied.

"Under these circumstances, departments should exercise the utmost care and scrupulousness in the expenditure of public money." There should be careful monitoring and a system of priorities, he said.

The Ministry has also promised the MPs it will tighten up its procedure for ensuring that bills are paid promptly. *It plans* to instal a computerised invoice *control system to monitor claims.* This, it is hoped, will reduce losses on the interest on working capital voted by Parliament.

The committee says that for the economy to gain the maximum benefit from defence sales, overheads should be kept down. "Staff concerned should adopt a fully commercial approach to these transactions right from the time an order is accepted until the customer pays the final bill."

Benn rejects gas price claims

BY IVOR OWEN, PARLIAMENTARY STAFF

BENN REJECTS GAS PRICE CLAIMS

ALLEGATIONS BY Tory MPs that gas prices have been manipulated by the Government for political reasons were denied by Mr. Anthony Wedgwood Benn, Energy Secretary, in the Commons yesterday.

Mr. Michael McNair-Wilson (C Newbury) claimed that gas prices for domestic consumers were being held *down* "for electoral reasons," while industrial consumers had to bear sharp increases.

After Mr. Benn rejected this charge as "completely wrong," Mr. Nick Budgen (C. Wolverhampton SW) accused the Minister of interfering with gas prices—in order to give continuity to the coal-mining industry.

There was laughter when the Minister urged Mr. McNair-Wilson and Mr. Budgen to get together. One had accused him of keeping gas prices down for electoral purposes, while the other had accused him of inflating them to protect the miners.

This, he said, reflected the absence of clear-thinking on energy policy in the Conservative Party.

Rover production halted, with 10,000 laid off

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

ALL ROVER production will come to a virtual standstill today, making about 10,000 workers idle *at ten plants.*

BL Cars said last night that it was forced to take the action because 80 transport drivers at the Solihull plant, Birmingham, refused to end their strike, now into its third week.

The men, who walked out in protest at the sacking of a shop steward, are not due to meet again until Thursday.

The dispute, which has hit production of Rover saloons, Range Rovers, and Land Rovers for two weeks, is particularly damaging. Not only are the vehicles in heavy demand at home and overseas but they are of high value. Lost output at showroom prices is put at £3m a day.

At the Solihull plant, which has been troubled by a series of disputes in recent months, about 5,000 workers will be laid off. A similar number of employees will be affected at BL Cars factories supplying components for Rovers.

A meeting of local shop stewards at Leyland's Lancashire bus and truck factories yesterday made plans to move a vote of no confidence in the company's top directors.

It is expected that they will seek support for the censure vote at a meeting of national shop stewards in Eastbourne tomorrow—the day before they meet management.

Workers at the five profit-making works in Leyland have been angered by comments about efficiency by Mr. Michael Edwardes, BL chairman.

They claim they cannot keep up with schedules because components are delivered late owing to lack of organisation at national management level.

They also fear that the bad supply of parts could be the first move in management plans to reduce the works to assembly plants for foreign engines and gear boxes.

● About 350 tool room engineers employed by the Chrysler car firm in Coventry agreed yesterday to give seven days' notice of strike action because the company had not improved a pay offer.

Industrial action urged at ICI

By Pauline Clark, Labour Staff

MILITANT SHOP stewards in ICI have called for selective industrial action from this week *to get better terms for shift* workers in the current pay negotiations.

The call for overtime bans and other action among 45,000 ICI process workers was made yesterday by the unofficial combine committee. Earlier this year the same committee called for a £30-a-week minimum rise before the June settlement date.

The shop stewards are unlikely to hold out for an increase of that size, well outside the Government's pay guidelines.

But with at least a third of the workforce on shift work, they are agitating strongly for rejection of the latest management offer. They want full consolidation of the past two years' pay supplements.

Mr. John Grime, secretary of the combine, said yesterday that frustration was growing over delays in reaching a satisfactory settlement.

Programme

Action would vary in different plants but representatives of some 700 shift workers at Winnington and Winsford, Cheshire, and Lostock, Greater Manchester, had agreed on a programme of one-day stoppages from next Sunday. An overtime ban was also planned in Huddersfield.

Union negotiators at national level have yet to respond to an offer a fortnight ago, said to amount to just under 10 per cent with consolidation of the phase two pay supplement into basic rates but not the £6-a-week phase one rise.

A final decision awaits the outcome of a series of meetings reporting back to individual sections among the weekly paid workforce.

The shop stewards' combine meanwhile has put special emphasis on the need for better shift disturbance allowances, which, it says, have not changed since 1975. It also wants a 35-hour week.

Council white-collar pay talks adjourned

BY OUR LABOUR STAFF

PAY TALKS covering 530,000 local authority white-collar staff, the only major group still to settle under Phase Three, were adjourned yesterday.

The discussions involved representatives of the employers and the National and Local Government Officers Association on the executive of the local government national joint council.

It was not certain yesterday whether the executive would meet again before the full meeting of the national joint council on July 12. The union's local government conference due to start on Friday.

The union has said it will accept nothing less than full consolidation of both pay supplements and an increase of 10 per cent on consolidaetd rates.

Managers' association backs top rises

BY ALAN PIKE, LABOUR CORRESPONDENT

TRADE UNION support for the big pay rises proposed by the Boyle review body for nationalised industry chairmen and board members was given yesterday by Mr. John Lyons, general secretary of the Engineers and Managers Association.

Mr. Lyons, writing in his union's journal, said that nationalised industry had been "placed in a strait-jacket" owing to restraints on the pay of chairmen, deputy chairmen and board members.

"We now have the ludicrous situation that people eligible for appointment, for example, to deputy chairman of an area electricity board are obliged to accept a cut in salary in order to end up with the privilege of being paid less well than 16 or 17 subordinate staff."

The broad reaction of union leaders to the review body's recommended 70 per cent increases in top salaries is that they should not be implemented at a time when the Government is seeking a general level of pay settlement many times lower.

However, Mr. Lyons said that no group had been treated "so shamefully by the Government" as the nationalised industry chairmen and board members. In this policy of discrimination the Government had, he said, received the tacit support of the TUC which in recent years had "proved incapable of thinking constructively about the pay of anyone who earns more than the average wage."

Whatever role the Government played in pay determination after Phase Three expired next month, the over-riding need was to restore reasonable differentials for skilled and responsible work.

"The country cannot afford to go on neglecting the people on whom its industrial regeneration so crucially depends. Any pay policy, open or covert, which ignores this central fact will run into considerable trouble next year," said Mr. Lyons.

Bid to end newspaper agreement

By Our Labour Correspondent

FLEET STREET journalists' negotiators were yesterday empowered to withdraw from their national agreement with the Newspaper Publishers' Association.

The National Union of Journalists' national newspapers' and agencies' industrial council authorised negotiators to give the required six months notice of withdrawal from the national agreement. This could take place at a meeting between the NPA and union on Friday.

Meanwhile, the NPA is refusing to conclude any office wage agreements unless the notice of withdrawal is abandoned.

In recent years, nearly all Fleet Street wage rates have been determined at office level. The NPA has been seeking to restore agreed minimum rates to the national agreement but this is being resisted by the union.

Liverpool docks redundancy plan

LIVERPOOL Dock Labour Board, seeking 315 redundancies from the labour force, is to write to all its 500 men born before December 31, 1919, to see whether they would be prepared to accept voluntary severance.

It is expected to take about a month to sift through the replies, and the position will then be reviewed.

The decision was taken at a two-hour meeting yesterday of the Board, which is made up of the port employers, and the Transport and General Workers' Union, which has given reluctant approval.

Men with 25 years' service would receive up to £7,250. The decline in world shipping and cargo handling has meant that as many as 1,200 men have been sent home on fall-back pay. Last year this cost the Mersey Docks and Harbour Company, which employs more than 60 per cent of the force, £1.4m.

Scottish agency joins fight to save Singer jobs

BY CHRISTOPHER DUNN

THE SCOTTISH Development Agency may be called upon to set up a joint venture with Singer, the U.S. multinational, in the fight to save some of the 2,800 jobs threatened at Clydebank, the loss-making sewing machine plant near Glasgow.

The agency, Scotland's equivalent of the National Enterprise Board, said it is willing to help the unions to prepare an alternative industrial strategy to fight the cuts. It may be asked to buy the Clydebank factory outright.

Last night the agency said its maximum equity investment since it was set up at the end of 1975 was only £2m. However, it would consider investing more at Clydebank if Singer adopted a positive attitude.

Singer appeared to rule out a joint venture on the ground that it would save neither costs in the short term nor jobs in the long term.

The Clydebank work force is holding a mass meeting today to discuss the cuts. The industrial sewing machine division is to be shut in an £8m. scheme to alter the factory.

The Scottish Nationalist Party has sent a telegram to Mr. Callaghan in Washington, reminding him of his "commitment to save jobs at Singer."

Closed shop dismissal not unfair—tribunal

A FACTORY worker, expelled from his union and then dismissed from his job because a closed shop existed at the factory, has no redress against the employers — even though his expulsion from the union was later held to be invalid.

The Employment Appeal Tribunal gave this ruling yesterday in the case of Mr. Prabhat Lakhani, 27, a labourer, of Southall, Middlesex.

A High Court judge last year ruled that the General and Municipal Workers Union had exceeded its powers in expelling Mr. Lakhani. The judge held that he was still a member and awarded him £2,000 damages against the union.

Mr. Justice Kilner Brown, chairman of the appeal tribunal, said yesterday: "No doubt many men would have been satisfied with this great victory. But not Mr. Lakhani."

He took his former employers, Hoover, of Perivale, Greenford, to an industrial tribunal, claiming unfair dismissal and seeking reinstatement and compensation. He lost.

The appeal tribunal upheld that decision and dismissed his appeal. It ruled that the employers, having been told by a union official that Mr. Lakhani was no longer in the union, had acted in the belief at the time of the sacking that he was not a union member.

"Because a closed shop existed at the factory, the dismissal was fair under the Trade Union and Labour Relations Act.

"Mr. Lakhani, described by the judge as a "perfectly satisfactory workman," had been expelled from the union after withholding his dues over a grievance he wanted the union to investigate.

"*In April, 1976*, 15 members at a branch meeting decided he was making a lot of fuss about nothing.

"*Foolishly* the 15 took umbrage at Mr. Lakhani's persistence and then resolved to expel him. They knew perfectly well that would mean the sack.

"The employers did not want to sack Mr. Lakhani but realised they would have to do so."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Long-life dies give low working costs

HOT EXTRUSION of non-ferrous metals is particularly tough on the metals used in the dies. These constrain surface-conditioned billets to conform to the desired shape and, during extrusion, the die metal heats up to between 450 degrees C in the case of aluminium and as much as 700 degrees C in the case of copper.

So far, dies have been made of hot-forming tool steel of varying compositions, as have the die holders, and as both have about the same thermal expansion no difficulties have been experienced due to heating.

But the dies are subject to heavy frictional wear, which increases with time and thus reduces the quality of the extruded product, both dimensionally and through scoring. Finally, the die has to be removed and replaced, or reconditioned.

Tests conducted with tungsten carbide die inserts have been made in the past, but have not been satisfactory because of the fact that it was not possible to counteract the material's tendency to oxidation on heating. At the same time, the coefficient of expansion being only half that of the steel die holders, it was not possible to prestress the die sufficiently in the holder.

A new formulation of die material by Krupp Widia in Essen has solved these problems. With it, control of oxidation is possible at the working temperatures. At the same time, the problems of differential expansion have been solved by a redesign of die and holder layout. The bottom die has been designed so that the inset resets itself and stays prestressed as it heats up. The mandrel in the top die is clamped in position.

Mandrels and inserts are made and installed in customers' dies by Krupp Widia.

Inserts are available for the production of solid extrusions with circular sections from 6 to 30 mm, hexagonal and octagonal ones from 6 to 28 mm across flats; hollow extrusions with tubular sections from 10 to 50 mm outside diameter and 1.5 to 3 mm wall thickness; and hexagonal sections of 12 to 30 mm across flats and 6 to 20 mm internal diameter.

Depending on application, Krupp claims insert lives of four to 20 times and more than that obtainable with tool steel. For instance, in work on brass billets 220 mm diameter and 200 mm long extruding solid rod, insert life was 700 billets, or 10 to 15 times that of steel. With one of the aluminium alloys 100,000 metres of 30 mm tubing was produced with no visible die wear and the brightness of the tube surface undiminished.

Fried. Krupp, 43, Essen, Postfach 10, German Federal Republic.

Heavy duty spindle mill

INFINITELY variable feeds on all five axes are provided in the 20-ton capacity spindle mill which Kearns-Richards has designated the SE180.

A built-in rotary table, with high indexing accuracy and automatic clamping is provided and there is automatic clamping on the slides.

Solid-state controls have diagnostic capability and automatic or manual operating modes may be selected from the pendant. Customers may specify from a basic digital readout with four axes of control up to full paper tape input/output with display and manual control on the pendant.

Modular building principles have been applied both to the machine and to its control system and the company is pursuing a policy of building basic machines to which customers can add what they require to bring the basic units into line with their plant needs.

Information from Kearns-Richards (Staveley Machine Tools), Kennedy Tower, St. Chad's Queensway, Birmingham B4 6JD. 021 233 1242.

● SAFETY

Standards afloat

DURING THE past ten years there has been a great increase in the number of pleasure boats using waterways. Hirers are not always adept boating people and consequently are unaware of potential risks of fire or explosion which might result from an accident.

Now, the British Waterways Board has announced that in 1980 newly constructed craft and all pleasure boats and houseboats to be let out for hire on canals will have to meet certain standards. These will cover safety and fire prevention equipment and require the hull, machinery and fittings to be sound and free from defects likely to affect safety. The standards will also cover engines, fuel tanks and pipework, electrical and gas installations. Owners of other craft are being advised to achieve these standards which are compatible with those currently applied by the Thames Water Authority.

Local authorities have power to set standards for hire boats but because the waterways cross local authority boundaries the BWB has taken this initiative in order to avoid a multiplicity of standards.

More from the Board at Melbury House, Melbury Terrace, London NW1 6JX (01-262 6711).

● PUMPING

Aids slick dispersal

INTRODUCED by Megator Pumps of London is a packaged oil dispersant pumping set for use with spraying equipment in coastal waters.

The equipment feeds concentrated dispersant and diluting sea water in the correct ratio to thes pray booms of the ship. The dispersant is injected into the sea water by a one gallon-minute gear pump while the resultant mix is supplied to the booms by a sliding shoe pump at six gallons/minute.

Included in the package are interchangeable hose and fittings between the pumps, a relief valve on the sliding shoe discharge and a three way control valve on the injection pump.

The big pump has powerful suction and can be allowed to operate under dry suction conditions; it also has good self-priming. Thus, maximum flexibility and reliability is provided in spraying conditions at sea.

More from the company at 87a Newington Causeway, London, SE1 6EQ. (01-407 5616).

Runs at low cost

A SUBMERSIBLE pump, suitable for small to medium sized pumping stations, shows a saving in initial cost and provides flexible performance at low running cost.

Its compact design and light weight make it easy to handle and install, says the maker, Flygt Pumps. It has low electrical consumption, and service requirements are simple and infrequent.

The pump will work either partially or completely submerged, under automatic control.

It can deal with water containing high percentage of solids and alternative impellers are available for three optimised motor sizes to give wide performance capability. Large impeller orifices permit the passage of big pieces of solid material.

Further from the maker at Colwick, Nottingham NG4 2AN (0602 241321).

● DATA PROCESSING

Controlling book stock

NEED TO maintain stock and availability records of 16,000-plus products is a job few retailers would relish. Particularly if that list must be updated by hand, and is subject to major changes every month of the year.

For those of Britain's professional book-sellers who provide a comprehensive all-titles service, such a major stock control exercise has been mandatory. It has been the only way for them to keep a check on the in and out of print status and the current prices of the 16,000 paperbacks marketed at any one time by the leading UK paperback publishers.

Now, those 13 publishers have combined to sponsor a computer-based stock control and recording system which, at a cost to book sellers of just 1p per title, will provide them with an opportunity to escape entirely the need for laborious manual routines.

Devised and instigated by Penguin Books and Pan Books, the "Paperback Stock Control System" is being designed and will be operated by the Gordon and Gotch Computer Group. To establish the system, G&GCG will create a confidential master file of all current paperbacks in the 13 publishers' lists. The file will detail the title author, publisher and International Standard Book Number of each paperback, plus its price, in or out of print status and subject category.

From this master file, G&GCG will supply retail booksellers on demand with either a complete card-based printed list of current titles, or lists of those paperbacks which fit the subject categories in which they specialise.

Subsequently, each month from information supplied by the publisher G&GCG will issue to subscribers additional cards for each new title, together with a printed report detailing changes in status to existing paperbacks.

The 13 publishers will receive duplicate reports of all output, but each company will be given only details concerning its own titles.

Cost of setting up and operating the Paperback Stock Control System is estimated to be in the region of 2p per card. The 13 publishers believe it fair that costs should be shared equally, so they are proposing that the booksellers who decide to subscribe would be charged at the rate of 1p per title card mailed to them.

Gordon and Gotch Computer Group, 32/38 Scrutton Street, London, EC2A 4SS.

● CONSTRUCTION

Epoxy agent repels damp

FOR BONDING down new floor screeds—particularly thin ones which call for good adhesion—and for general repairs to structural concrete, especially where concrete facings have broken away from buildings due to corrosion of the reinforcement, is an emulsified epoxy resin product which produces high strength bonds between old and new concrete more easily and cheaply, says Protective Materials, than most other methods.

Called PML Water Dispersible Epoxy, it can be used by itself for waterproof coating on lift shafts, tanks, sumps, sewers and applications within the process industries, and once cured the product has almost the same high chemical and mechanical properties as solventless epoxy coatings.

It is said to be much easier to apply by brush than a solventless coating, and brushes can be cleaned in water instead of solvent. Surface dampness does not affect the bond achieved and the company says the bonding agent is much less expensive than conventional solventless epoxies.

Further from the maker at Oakcroft Road, Chessington, Surrey (01-937 3344).

Industrial buildings

THE BRICK Development Association says that while brickwork as a structural material has made progress into the market of multi-storey, repetitive floor plan buildings and has the major share of the housing market, it has made little advance in the industrial field. The majority of single-storey, wide-span industrial buildings for factories, garages, stores, etc., have their roofs supported by steel columns which are enveloped by a cladding material, sometimes backed up by insulation which, in turn, is protected on the inner face by a hard lining.

These methods, says the Association, require regular maintenance (unlike brickwork) and tend to lack brickwork's durability, aesthetic potential and overall economic value.

It's argument is thoroughly extended in a 32-page design guide, "Design of brickwork in industrial buildings" which may be obtained for £1.50 (postage free) from the BDA at Woodside House, Winkfield, Windsor SL4 2DX (034-47 5651).

Digs the rock

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The drilling applications vary with initial interest being extended to include major gypsum, potash and uranium producers. Those currently involved in development and production driveages in coal mining are experiencing the benefits of the drill, says the company, where 45 mm diameter single-pass shot holes are required.

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● MATERIALS

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The Dutch company is a subsidiary of Coolag of Glossop, Derbyshire, a member of the Tarmac Group's Building Products Division.

Further from Tarmac, Ettingshall, Wolverhampton WV4 6JP (Bilston 41101).

Production of concrete components

AUTOMATIC EQUIPMENT for the production of concrete building components, developed by a Danish company, is claimed to offer a 30 to 50 per cent saving in cement when compared with traditional methods of manufacture.

Components are produced in a horizontal casting process which combines vibration and compression and the production line is stated to be suitable for mixed output of walls, floor components, hollow-core slabs and so on. Surfaces of wall components are smooth enough for direct papering.

It is stated that a production line producing mixed types of components for prefabricated dwellings would have an annual output per shift of 200,000 square metres, between 18 and 20 men being needed. The plant is being put on the market by Vipres A/S, Datavej 46, DK-3460, Birkerod, Denmark.

● INSTRUMENTS

Competitive multimeter

SINCLAIR has announced details of its second "new generation" unit, the DM 235, a 6 function, 3½ digit bench-top and portable instrument.

The DM 235 is available at around half the price of comparable digital machines and considerably below that of many conventional analogue meters. It can measure dc and ac voltage and current as well as resistance, and be used for semiconductor junction tests. It has a total of 26 ranges.

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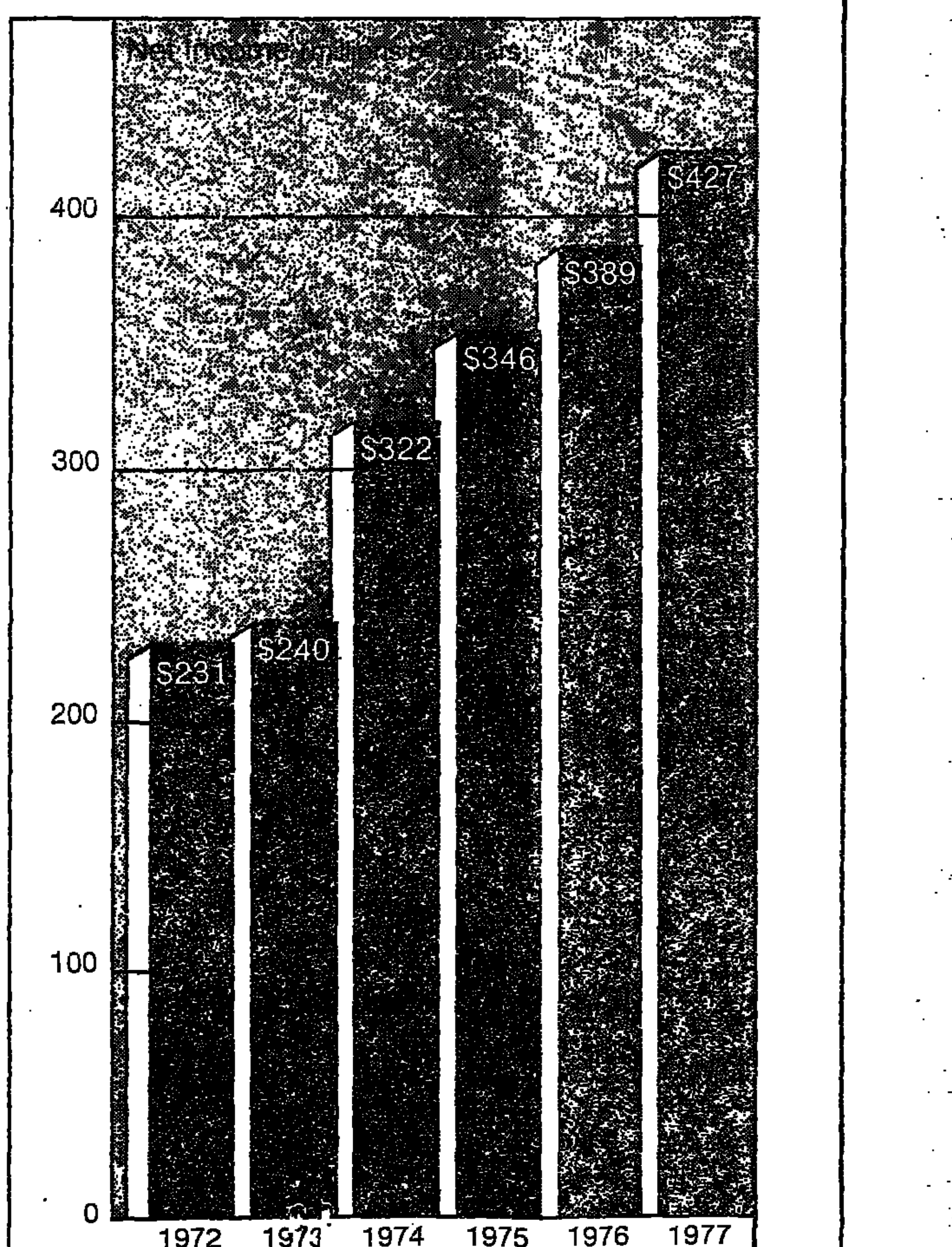
In the field, the DM 235 is powered by four internationally available U11 size disposable cells. Where continuous bench operation is required an ac adaptor/charger is available as an option, as it is a rechargeable cell pack. For the TV service engineer, a 30 kV probe is available.

Sinclair Radionics, London Road, St. Ives, Hunts, Cambs. PE17 4HJ. 0480 64646.



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The Management Page

EDITED BY CHRISTOPHER LORENZ

Why cutting overtime is no way to create new jobs

Eric Heuch and David Kingston question the feasibility of the Department of Employment's proposals for work-sharing

THE latest figures on UK economic activity may be mildly encouraging, but they do little to allay fears that the long-term trend in unemployment is still upward. Stimulating demand will increase consumption of goods, but changing technology will mean that less personpower will be required to produce them. Volume products best made by labour - intensive methods will be imported from the Far East and the Third World.

It will take ten to 15 years for the UK to find appropriate high added-value products and services, and to organise itself to supply them. In the meantime, action is required to ameliorate the effects of change. Passive measures to protect employment—like job subsidies—are useful: so too are active projects for improving the physical or social environment. Much more important for the longer-term are adult retraining programmes. Subsidising young people to stay at school could be productive, provided that they are helped to acquire the skills needed for the 1980s and 90s.

But some see this whole view as over-optimistic. They say that traditional growth rates are no longer a sustainable objective. With the added impact of technological advance, the volume of work to be done will shrink and a start must be made now to share out the remainder. Otherwise, there will be a growing number of under-privileged, unskilled, unproductive unemployed people swaying between apathy and destructive anger. This contingency requires a plan.

In its April Gazette, the Department of Employment examined three ways of work sharing: a shorter basic working week: longer holidays; and a reduction in overtime.

The Department discarded alterations to the working week or holidays as inflationary, likely to affect the competitiveness of UK manufacturers and, therefore, self-defeating. However, it suggested that reductions in overtime might be used for job sharing without such adverse effects, since premium payments would be reduced.

If it were possible, hypothetically, to convert all overtime worked in manufacturing into full-time jobs, unemployment in manufacturing could be eliminated, the Department said. The practical problems of reduced flexibility, carrying out work which has to be done outside normal hours, reductions in earnings and packaging overtime hours into workable jobs would, in the Department's view, limit the potential of this approach and would require detailed planning at the workplace rather than nationally.

How real are these problems? As a start it is necessary to identify the people whose work might be shared. The Department of Employment's statistics

Type of Worker	Average overtime hours per person per week
Manual Male	5.8
Non-Manual Male	1.4
Manual Female	1.0
Non-Manual Female	0.3

The next table shows the top ten occupations currently working overtime.

Occupation	Overtime hours per person per week
Heavy goods vehicle drivers	10.8
Bus and coach drivers	10.5
Bus conductors	9.8
Mechanical plant drivers	9.8
Agricultural machine drivers	8.9
Other drivers	8.0
Crane drivers	7.9
Foremen (sheet metals, etc.)	7.5
Maintenance fitters	7.4
Furnacemen	7.0

are invaluable. The first table shows that male manual workers carry out the most overtime.

The second table might suggest that there must be something about oil and petrol which generates a desire to work overtime! In reality, the common factor between most of these occupations is that, in each, people are performing a service function, involving expensive machinery, to meet customer needs. Labour cost is a subordinate factor.

Women set work patterns

Does the work have to be done by men working long hours? In some cases, at least, work could be shared by extending shift-working, split shifts or split-week working. But how acceptable would the consequent reduction in weekly earnings be to those currently employed in these fields?

At the bottom end of the overtime scale, men in clothing and footwear work only 2.6 hours per week each. These are labour intensive industries under international competitive pressures; work patterns are also set by the women operatives, who provide a high proportion of the workforce.

In between there is the mass of workers, many in engineering, for whose overtime habits the statistics provide no readily identifiable pattern. In order to assess the feasibility and possible scale of work-sharing among these, let us examine the case of a hypothetical company in engineering with a typical mix of overtime working. The numbers employed in various departments are set out in the third table.

BREAKDOWN OF LABOUR FORCE IN A TYPICAL ENGINEERING COMPANY

Occupation	Number employed (manual males)	Overtime hours worked per man per week
Maintenance of all types	40	10
Process plant operators	25	9
Machine setters	45	8
Machinists (skilled)	70	6
Machine operators (semi-skilled)	40	3
Tool room workers	30	5
Material handling & stores	80	6
Quality control	130	4
Assembly (semi-skilled)	580	3
Assembly (skilled fitters)	40	6
TOTAL "manual males"	980	5

The overtime can be considered necessary for three reasons. Firstly, there is essential work to be done outside normal hours in maintenance, in starting up process plant and materials handling. Much of this is done at different locations and times and could not be packaged to create jobs. But there are 15 mechanical maintenance fitters who work a basic week plus high overtime and it would be technically and economically feasible to redistribute their work to employ four more men. This would require night-shift working or some form of split week, with two groups working three and four days alternately, and would pose a recruitment problem. It would also involve persuading a loyal group of men radically to change their working routines and to accept a pay reduction, if costs are not to be increased.

Overcoming bottlenecks

The second reason for overtime working is that sufficient skilled men cannot be recruited. Management uses overtime to provide capacity in bottleneck machine sections, and to enhance the earnings of skilled men. The latter is required to maintain acceptable differentials against semi-skilled assembly workers who earn bonuses, and to retain the men. If these problems did not exist and recruits with adequate skills could be found, the company would take on 10 more people.

The third function of overtime is to ease short-term bottlenecks and thus to maintain delivery performance when sales demand fluctuates. This occurs in all sections, but is the principal cause of overtime among semi-skilled assembly workers and in quality control. It is unpopular with many employees because it is called for at short notice and is unequally distributed. With current overall levels of demand, sufficient recruitment to eliminate overtime would be costly and unjustified. However, improved control of production flows would reduce fluctuations in demand on assembly. Then recruitment of six men could be justified.

So, in theory, this company could increase its male manual workforce by 20 people or 2 per cent (14 skilled men and six semi-skilled). A similar scale of increase in the engineering industry generally would reduce manual unemployment in engineering by about 40 per cent, which is a significant contribution. But, in practice, this cannot happen. Most of the places to be filled are for skilled people who are not generally available.

Reductions in overtime which do not affect product costs would require substantial reductions in individual earnings, since total pay would have to be shared between more people. This would seriously disturb the compromises by which employers and employees overcome the deficiencies of wage structures which cannot be put right because of pay policies.

This, in turn, would be widely unacceptable to the people concerned, who would either leave or become disaffected. Compensating them by special payments would increase costs. The upshot of all this would be a reduction in the firm's international competitiveness, and employment prospects. This is essentially the reason the Department of Employment gives for rejecting a shortening in the basic working week, but it also applies to its alternative proposal—the reduction of overtime.

Even if these problems could be solved, employers would be slow to recruit because overtime provides a cushion against the effects of a drop in demand and an insurance against redundancy; this they want to avoid because of its effect on motivation and morale. The costs of redundancy are significant but of lesser importance.

Among smaller employers with no personnel departments, the perceived unfairness, public humiliation and financial risks of the Employment Protection Act are major hindrances. Better to pay £1,200 a year overtime premiums to four trusted employees to work ten hours each extra a week than risk £1,000 compensation and much aggravation by taking on an extra man of unknown calibre and personality.

The factors which make work-sharing by reducing overtime difficult are among the most important of those which slow up the process of improving the competitiveness of UK industry—lack of confidence, shortage of skilled people and distorted wage structures. To make overtime reductions a national objective would be like attacking one symptom of a potentially fatal disease by methods which would exacerbate other more dangerous effects. At the least, overtime provides for flexibility during a process of change.

Generating wealth

Surely we should concentrate on providing the conditions under which the competitiveness of products and services can be improved? This would generate wealth and make it easier to share work. If social pressures do require that work sharing should start earlier rather than later, the debate on how this might be done should start within the constraints used in this article. The costs and competitiveness of the organisations concerned must not be affected. They provide the wealth which makes work sharing possible. They should not be inhibited in that process.

Eric Heuch is a senior consultant, and David Kingston is manager, business economics division, of PA International Management Consultants.

Harnessing the local talent

People Development in Developing Countries by Ross Matheson: Associated Business Programmes, £9.95

"WHY IS it that each new expert insists on ignoring what the expert before him has achieved? In he comes, secure in his inexperience, blinded by his enthusiasm—mouth open and mind closed. Every time."

Such a criticism would be condemnation enough if it were made about professional consultants called in by companies in Britain, but when applied to the expatriate expert recruited for an operation overseas it assumes a new significance.

It helps to explain why the governments of third world countries are so often wary of hiring staff from the West, and illustrates one of the problems facing the personnel manager working overseas for a company suffering from a shortage of indigenous expertise.

This book aims to reduce the likelihood of such recruitment mistakes and attempts to show how, through an imaginative use of manpower planning and training, people development, a company setting up an operation in a developing country can successfully plan to minimise its reliance on overseas personnel.

Written by a man who has spent most of his working life in personnel management, much of it abroad for Philips, Unilever, and BP, the strengths of the book lie in the useful detail it gives on how best to harness indigenous talent. It does, however, suffer from a disease not unfamiliar to sociologists—the mystification caused by an over-reliance on jargon. Witness the use of phrases like "cross-cultural applicability" or "recognition of this in-context fact-regarding people development."

But in spite of the language the message comes through. The starting point for the successful development of people in emerging countries, he says, is to have precise information on the political, cultural and economic factors peculiar to each country, and in particular the need to understand the behaviour of local people and their pattern of life.

He quotes the example of a workforce which was unwilling to accept orders until the company found out that the foreman it had hired did not have the authority accorded with belonging to the local aristocracy. The answer was to recruit a competent member of a nearby royal family.

He advises on how to cope with the problem of what he calls "the national uniqueness syndrome," an example of which might be the man who, resenting the changes brought to the indigenous way of life by the operations of a Western company, says: "We have our own ways and methods and will use them to seek change as we have done in the past." The author argues that, while respecting national differences, the answer is to play up the common denominators between countries, particularly in connection with, say, the mutual need to achieve industrial wealth and expertise.

While a structured approach to training is essential the author warns against the use of too much theory. Local example coupled with what he calls the "de-sophistication" of new knowledge (stripping it of unnecessary Western sophistication) is the most productive.

On interviewing and selection of staff he warns against the inclination automatically to regard those who speak good English as best suited for the job. The author believes that this has caused more employment mistakes overseas than any other.

On the recruitment of expatriate staff he emphasises the need to exercise extreme care by choosing only those individuals who are most likely to be able to understand and integrate with the local environment and population. He paints a picture of the ideal recruit whose foremost desire is to work within another culture coupled with a genuine interest in helping others to develop.

No doubt many expatriates would find this chapter rather amusing. In practice the company nearly always comes first, and overseas personnel are often noted more for their clannishness than their ability to integrate.

While containing much of value to the man who is concerned with personnel management in developing countries the book does however tend to fall into the trap of many similar attempts to distil a lifetime's work into both a theoretical and a practical guide. As a result it is neither one nor the other. With an array of somewhat simplistic exercises, tables and charts, some chapters read like snatches from a college training manual, while others concentrate on the generalities without the illumination of concrete example.

Some discussion of individual companies' experiences in setting up operations in the developing world would have helped provide the meat the book lacks.

Richard Cowper

LOMBARD

Fast and slow locomotives

BY SAMUEL BRITTAN

IT IS almost as difficult to be critical of international co-operation as it is to disparage virtue or motherhood. The fact remains that international co-ordination of policies is not always the good thing it is supposed to be. Everything depends on how good is the final strategy which emerges. Some kinds of international co-ordination may make things worse, even from the point of view of the world as a whole.

These thoughts are triggered off by the campaign of the Americans, the British and the OECD in Paris for co-ordinated growth strategies in the Western world—a matter of which we may expect to hear a great deal at the Bonn summit in July.

Originally we had the "locomotive" theory. The thought was that the three strongest economies—the U.S., Germany and Japan—should be stimulated together, thus pulling along the rest of the world behind them. When this went out of fashion, because of the inability of the Americans to get out in front because of the plight of the dollar, we had instead the convoy theory. This stated that all the Western economies should move forward together—an unfortunate metaphor to those who remember that a convoy travels at the speed of the slowest.

Fluctuations

Metaphor aside, is it really a good thing that industrial economies should expand together in a common movement? Cyclical fluctuations remain with us, and the utopia of steady advance is still far distant. This being so, countries which expand together will also contract together. Surely this will lead to bigger fluctuations and disturbances than if different countries are in different phases.

A boom common to all countries is likely to put heavy pressure both on commodity prices and on domestic costs; and a recession will be more severe if the whole world is near the bottom at the same time.

There is a specific reason why present cries of alarm about a slowing down of world growth may be overdone. This is that international trade depends not just on the movement of output in the industrial countries, but on how that output is distributed. The key fact is that although the U.S. is responsible for nearly 40 per cent of the total output of OECD countries, its share of OECD trade is less than 20 per cent. Europe on the other hand is responsible for 45 per cent of OECD output but getting on for 70 per cent of total trade.

World trade

This point is brought out very clearly by David Morrison in the Phillips and Drew Market Review. World trade, according to the new index he uses, has normally grown 2½ times as fast as total OECD output. But in 1976 it only grew twice as fast, and in 1977 at the same rate. The main reason for this was that the U.S., which is much less dependent on trade, took the lead in the recovery and European countries had a more belated and feebler upsurge. World trade therefore languished, despite a growth of OECD production well up to past trends. This helps to explain why protectionist pressures have been so strong in an upward phase of the business cycle. But now that the growth lead is passing to Europe, we can look forward to an improvement in trade prospects even if total OECD output flags slightly in its upward momentum.

An all-knowing and all-powerful global authority might want to synchronise the expansion rates of different countries — so that they are *not* all in phase and so that the combined expansion rate takes into account the different contribution of different countries to world trade. But if one is sceptical about the feasibility of such ultra-fine tuning it might be better for the summit leaders to forget growth targets and concentrate on other objectives.

DISTRIBUTION OF OUTPUT AND TRADE IN 1976

	U.S.	Europe	Other
Share of OECD GNP %	39	45½	15½
Share of OECD exports %	18	68	14

TRENDS IN TRADE

	1966-76 Average	1976	1977	1978	1979 forecast
(1) Growth in world trade of all goods	+9	+10½	+4	+5	+6½
(2) Growth in OECD GNP	+3½	+5½	+4	+3½	+3½
(3) World Trade Multiplier Ratio 1÷2 rounded	2½	2	1	1½	2

Source: Phillips and Drew, June Market Review

FILM AND VIDEO — BY JOHN CHITTOCK

The cassette discount battle arrives

THE ONLY certainty about the videocassette business is the uncertainty of the countless predictions made about it. Reliable statistics, in particular, are notoriously hard to come by—yet anyone whose business is likely to be remotely affected by videocassettes is desperately eager to get hold of some hard facts.

The leading manufacturers—notably Philips, Sony and JVC—have been reticent if not unreliable in providing information. Film producers, television companies, and even book publishers would like to know the current UK population of videocassette machines—because therein lies the clue to a new distribution chain for programmes. But reliable figures do not exist and even official statistics have been next to useless—as, for example, the lumping together of video with audio in the British import figures until 1978, when a distinction was at last recognised.

New machines

By piecing together various scraps of evidence, it seems likely that the U.S. population of videocassette machines to date is somewhere around ½m, and likewise in Japan. The UK figure is possible 80,000. The latter, however, is comprised mostly of Philips VCR and Sony U-Matic machines — which have been available now for a few years; whereas the U.S. and Japanese statistics are being increasingly influenced by the new generation of videocassette recorders—the *JVC VHS and the Sony Betamax.*

These new machines are only just beginning to appear in British shops, although JVC has predicted that it will sell 100,000 units in the UK this year. This is half the total sales figure for all makes that Philips estimates will be sold in the whole of Europe this year. Some observers regard the JVC figure as optimistic.

Nonetheless, JVC is certainly challenging its rivals. In the U.S., where Sony's Betamax is the only serious contender, a supplier of pre-programmed cassettes—Magnetic Video—reports that the 65:35 ratio of demand in favour of Betamax cassettes has now dropped to evens. JVC itself however, claims 65 per cent of the US market.

One consequence of such product rivalry that manufacturers claimed would never happen in Britain—price-cutting—has now arrived on these shores. The most seriously threatened system, the Philips VCR, is now being offered by REW, the hi-fi chain store, in their Tottenham Court Road branch at £639—a reduction of well over £100. This offer also includes two free videocassettes and a discounted price for further cassettes.

Even the newly-arrived JVC VHS is being offered by REW and Lasky's for about £50 below list price, and the prospect of much greater reductions before the end of the year now seems likely.

The one certainty is that this new medium has now arrived—currently helped by a surfeit of World Cup soccer which for some yielded a dilemma over which match to follow, for others a desperate need for any kind of pre-recorded programme as long as it wasn't football.

Videocassette machines are now available in Britain from some of the TV rental companies, and early predictions suggest that rental may provide the fuel for the marketing explosion that will follow. In the U.S., where TV rental is not established, the research firm Arthur D. Little claims that 25 per cent of people polled in a survey wanted to own a unit, but only eight per cent were prepared to pay the already discounted price of $795—an opportunity for rental to take a foothold.

Another U.S. research firm, Frost and Sullivan, estimate that sales there will climb by 97 per cent in the period 1977-80. This cannot be all a case of electronic excitation: in Sony's first quarter results to January 31, 1978, videotape recorder sales rose 51.9 per cent against the figures for the previous year (while colour TV set sales were down 4.2 per cent).

Confusing the picture is, of course, the proliferation of differing tape standards, making *it impossible to play a videotape* cassette on *rival* makes of machine. Not only have Philips introduced, in their longer-play N1700 challenge to the Japanese, a machine that is incompatible with the earlier Philips VCR—but Sony's Betamax is different from its more professional U-Matic. The VHS can record and play to different standards for two, three and four hour tapes. Grundig has a new rival system on the way with four-hour tapes, and BASF is still planning to introduce a totally different concept known as LVR (for Longitudinal Video Recording).

To this must be added the further complication of national television standards, such as the French SECAM system which is not compatible with PAL (used in Britain and most of Western Europe) and the American NTSC system—different again (and used in Japan).

It means that the market for pre-recorded videocassettes is hopelessly fragmented, if there is a market for software at all. The relatively high cost of videotape as a raw material and as a system for mass duplication is unlikely to challenge the low-cost video disc when it becomes commercially available. The future for videocassettes must be set, therefore, in serving what Sony have called the "time shift" concept—merely a method of delaying home TV viewing of programmes to a time that suits the viewer.

Certainly this is the current motivation for buyers, because pre-programmed videocassettes are just not available in any significant range of choice so far. The W. H. Smith bookshop chain is known to favour video discs as more suitable for programme sales as well as being easier to handle, display and store.

If the time-shift concept prevails, it implies that the standardisation problem is of no real consequence. Every home will record its own programmes (currently illegal) from the TV set for later use on the same machine. Only the broadcasters may lose out, finding that their audiences have been liberated from the monotonous duplication of programmes on different channels.

The broadcasters are reported to have just made a deal with the creative unions in respect of residual payments for video sales. Could this mean that the prime market for an expensive TV programme might eventually come through videogram sales—with broadcast television a repeat market? It is now beginning to happen to the cinema, so the present pattern of broadcast television may not be immune from such a revolution in the future.

Steam returns to the rails

TEN YEARS after the last official British Rail steam train run, the Cumbrian Coast Express will leave Blackpool North Station today at 10.05 to arrive at Sellafield, near Windscale, Cumbria, powered by steam.

The all first-class train, to run every Tuesday until August 29, will be hauled from Blackpool to Carnforth by diesel and from Carnforth by a steam locomotive.

Two famous locomotives will be used for the steam-hauled section of the route: LNER 4472 Flying Scotsman and LNER 4498 Sir Nigel Gresley. Both are housed at the Steamtown Railway Museum, Carnforth, and are privately owned.

The return to steam power is aimed at attracting holiday-makers and children who may never have seen steam locomotives at work.

Price may have two Brighton winners

RACING

BY DOMINIC WIGAN

CAPTAIN RYAN PRICE, whose fine colts Whitstead and Gairloch did well to take third places in the Grand Prix de Paris and Prix d'Ispahan respectively at the weekend, should do well considerably nearer home this afternoon.

At Brighton's hilltop course, only a few miles from his Findon establishment, Price could score with both Schweppervescence and Mecarillo.

The first of the two to take the field is the Comedy Star colt, Schweppervescence, one of the yearlings (including the season's fastest juvenile, Schweppeshire Lad) bought so cheaply by Price last autumn.

On his only previous appearance, Schweppervescence, among the runners for the Eastbourne Stakes, did not run at all badly at Bath, finishing seventh of 13 behind Bolide after running green from the outset.

The Findon colt will have derived considerable benefit from that outing back in April and with little to beat here success seems on the cards.

I take him to open his score with a victory over Clive Brittain's recently disappointing Newmarket representative Minit Boy, who may have been flattered by the margin when finishing a ½-length runner-up to Admiral Grenville in a maiden event at Newmarket first time out.

Mecarillo, Price's representative in the Lewes Stakes, has been running better this season than the three zeros against his name might suggest.

If this good-looking Lyphard colt is back to his creditable form of last autumn, he should not be hard-pressed to dispose of the luckless Valdee, who has been sent on some tough asssignments by Miss Auriol Sinclair in the last two or three months.

While Ryan Price heads the trainers' table here with 20 winners since March, 1973, Geoff Lewis occupies the same position among the riders, with 31 successes.

Lewis's best chance this afternoon seems to be with School Road in the seven-furlong Palace Handicap. The Hobbs filly, a comfortable winner from Vicenzo at Kempton earlier this month, seems sure to go close, but I doubt if she is quite good enough to concede 13 lb to the outsider, Aston Firs.

BRIGHTON
2.00—Schweppervescence***
2.30—Mecarillo*
3.00—Grey Mountain
3.30—Northern Dynasty
4.00—Aston Firs**
4.30—Raffia Set

PONTEFRACT
3.45—English Export
4.15—Lustrous Prince
5.15—Track Down

Cost of 'administrative tidiness'

THE LAKE DISTRICT Special Planning Board yesterday joined the other national park authorities in expressing concern at the Government's insistence that the parks should accept a joint financial loss of £730,000 as the price of having their two state grants amalgamated.

Mr. Martin Brannan, chairman of the finance committee of the Lake District Board, which would lose £120,000 in the deal, said that the feeling was that £120,000 was "too high a price to pay for administrative tidiness."

At present the parks receive a supplementary grant in the year in which the money is spent. The Countryside Commission also reimburses expenditure at 75-80 per cent at the end of the financial year in which the money is spent.

The Government says the loss will occur because the parks will have to forego one year's Countryside Commission grant. The alternative—of paying the last grant under the old system and the first under the new all in one year—was unacceptable.

ENTERTAINMENT GUIDE

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 am Open University (Ultra High Frequency only). 1.00 pm Te-thi'r Tir. 1.30 Ragtime. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 We Are the Champions 1978. 5.10 Wildtrack. 5.35 The Wombles.
5.40 News.
5.55 Nationwide (London and South-East only).
6.15 Wimbledon Tennis.
7.20 The Feather and Father Gang.
8.10 The Standard.
9.00 News.
9.25 Sunday With The Children (a report on the effect marriage break-ups have on the children involved).
10.15 Cabaret Showtime with Tony Christie.
11.00 Tonight.
11.40 Play Golf.
12.05 am Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—5.55 pm Wales Today. 6.15-6.40 Heddiw. 6.40 Join BBC 1 (Wimbledon). 12.05 am News and Weather for Wales.

Scotland—5.55-6.15 pm Reporting Scotland. 12.05 am News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40 am Open University.
10.30 Worktalk.
11.00 Play School.
2.00 pm Wimbledon Tennis Championships.
8.00 News on 2.
8.10 Colossus.
9.00 Sing Country.
9.40 Our Mutual Friend.
10.35 Late News on 2.
10.45 Wimbledon highlights.
11.35 Closedown reading.

LONDON

9.30 am A Present from the Past. 10.00 Plain Sailing. 10.20 The Undersea Adventures of Captain Nemo. 10.30 An Asian Notebook. 11.00 Popeye. 11.05 Goostrey—a Village. 12.00 Issi Noho. 12.10 pm Rainbow. 12.30 Parents Day. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Red Letter Day. 3.20 Once in a Lifetime. 4.05 Cartoon Time. 4.20 Breakers. 4.45 Extraordinary. 5.15 The Brady Bunch.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Survival.
7.30 Charlie's Angels.
8.30 Life Begins at Forty.
9.00 Will Shakespeare.
10.00 News.
10.30 Palestine.
12.00 The Andy Williams Show.
12.25 am Close: A painting by Van Gogh with music by Mozart.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am The Voice in the Fingers. 1.25 pm Anglia News. 2.00 Houseparty. 5.15 Emmerdale Farm. 6.00 About Anglia. 12.00 Witness to Yesterday. 12.30 am Anthology.

ATV

10.20 am Boney. 1.20 pm ATV Newsdesk. 4.05 Professor Balthazar. 5.15 Laverne and Shirley. 6.00 ATV Today. 7.00 Emmerdale Farm. 12.00 Something Different.

BORDER

10.20 am Certain Women. †1.20 pm Border News. 2.00 Houseparty. 5.15 Those Wonderful TV Times. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. [illegible] Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 5.15 Those Wonderful TV Times. 6.00 Report at Six. 7.00 Walking Westward. 7.30 Rafferty. 10.28 Channel Late News. 12.00 What About the Workers. 12.25 a.m. Visages de France.

GRAMPIAN

9.25 a.m. First Thing. 10.20 Cash and Company. 1.20 pm Grampian News Headlines. 5.15 Those Wonderful TV Times. 6.00 Grampian Today. 6.10 The Electric Theatre Show. 12.00 Reflections. 12.05 am Grampian Late Night Headlines.

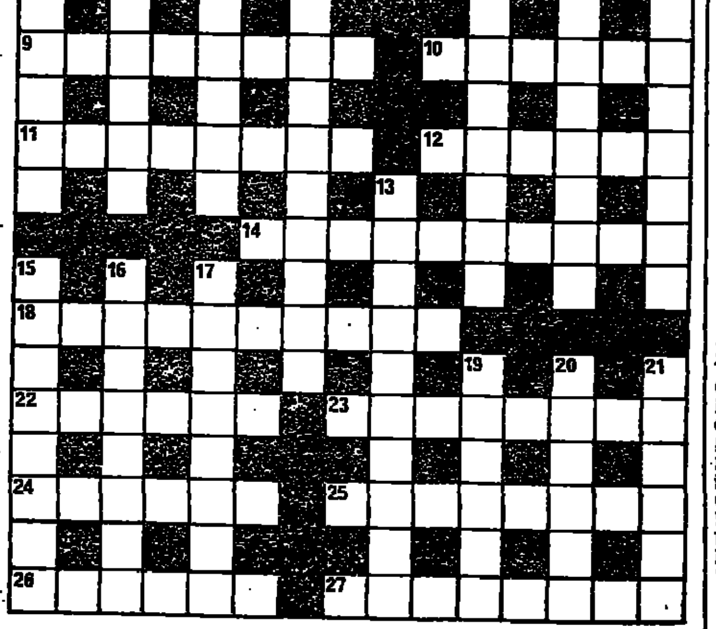
GRANADA

10.20 Skippy. 10.45 Look at Life. 10.55 Kathy's Quiz. 1.20 pm This Is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. [illegible] What About the Workers. 12.30 am A Little Night Music with the Bowles Brothers.

HTV

10.20 am Today Mexico—Tomorrow the World. 10.40 Wild, Wild World of Animals.

F.T. CROSSWORD PUZZLE No. 3,703



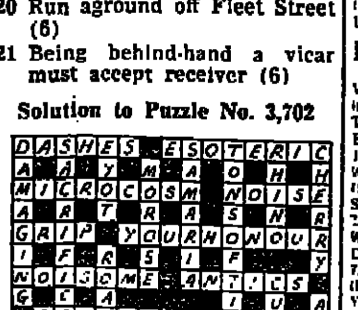
ACROSS

1 Give an account of some French writer (8)
5 Double if courageous outside (6)
9 Looks slyly how to follow a miniature performance (4-4)
10 Chevron awarded for expedition in the south-east (6)
11 Occurrence I had to follow with a note at night (8)
12 Cut back fruit to daughter initially (6)
14 Gamble cleaners take (10)
18 Commit an offence for each favourite to be worthy of (10)
22 A vicar went in front? That's bad! (6)
23 Scamp creating disease in plants? (8)
24 Cite me in return? It's sickening! (6)
25 Suggest being friendly (8)
26 Note the bit of rope to tie up animals (6)
27 Full-back is to finish in delay (8)

DOWN

1 Bird seen in the sky at night . . . (6)
2 . . . and transfix another bird we hear (6)
3 To put in a new location I must appear in hybrid trees (6)
4 Weapon used in second-class thoroughfare's sign (5-5)
6 Attract attention to payment on capital (8)
7 Get the bearings on a learner from the east (8)
8 Coloured black or navy throughout (4-4)
13 Disease contracted in sleep etc. (10)
15 A soft mother or father—that's obvious (8)
16 Die with General outside in slope (8)
17 Be nice about Expeditionary Force and the vicar's living (8)
19 I get in a mess and fire (6)
20 Run aground off Fleet Street (6)
21 Being behind-hand a vicar must accept receiver (6)

Solution to Puzzle No. 3,702



RADIO 1 247m

(S) Stereophonic broadcast
‡ Medium Wave
(VHF) Very High Frequency

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk

RADIO 2

RADIO 3

RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

Aldeburgh Festival

The final weekend

by MAX LOPPERT

A clutch of first performances marked the closing days of the 1978 festival. Gordon Crosse's *Thel*, for solo flute, two string septets, and two horns, was the most substantial of them. Like *Ariadne* and *Wildboy*, earlier members in Crosse's sequence of works for concertante wind instrument and small ensemble, *Thel* has a programme. Like theirs, it runs, not necessarily in exact parallel to the musical events, but alongside them, in a mutually informative and stimulating way. The flute may be said to portray Blake's Thel, youngest daughter of the Seraphim, who "in paleness sought the secret air" in order to pose questions about the nature of mortality. Descending to the realm of human life, she "saw the secrets of the land unknown" and fled it in horror, leaving her questions unanswered.

The dramatisation in musical terms of an original innocence and its disruption by the disturbing experience of knowledge is a Britten-like conception. Crosse, though his functional opposition of diatonic and chromatic harmonies is also Britten-like and handles it with originality and boldness. In the opening bars the strings paint a cloudless diatonic, indeed modal landscape, against which the flute sings a charmed song in limpid "white" notes. With the first entry of the two horns, who play the role of *agents provocateurs*, mostly in their lowest register, accidentals begin to creep onto the staves; the lines become choppier, Stravinskyan, with harder-edged contrasts and irruptions of darker colour.

Crosse's music always sounds well, immediately, and *Thel* is no exception. It is a clearly ordered score, in which barred and un-barred units, precisely notated and aleatoric sections, all interlock in a fabric of cool luminosity, unclogged even when distinctive substance than the confront each other in a central climax. The whole piece is lucidly achieved. A doubt, on a first hearing, might be that the music of "experience" seemed to be made of an altogether less distinctive substance that the cloudless, blameless music of innocence which opens the work so attractively.

On Thursday, it was beautifully played by Richard Adeney, who requested the piece from the composer, and by Contrapuncti under Michael Lankester, Crosse's familiar champion. I should have liked a second performance after the interval, for the pleasure of hearing those floating, shining opening sounds again, and for the opportunity of resolving (or, less happily, confirming) later doubts. This would have meant the loss of the *Lyric Triptych* on Auden poems, written for Peter Pears by the Cracow composer Krzysztof Meyer (b. 1943). But as this proved to be a fluent but singularly forgettable piece, in which the music seemed to bear little relation to the poems, even to be detachable from them without much harm, the loss would have entailed no great hardship.

Sir Peter, whose voice is at present imbued with the tones and the shades of an endless Indian summer for which any amount of Aldeburgh wind and rain can be tolerated, gave next morning a short recital with Osian Ellis, which began with Robin Holloway's new *Willow Cycle* for tenor and harp. The text knits together Desdemona's song, and fragments from Ophelia's, with Raleigh's *Walsingham* and with snatches of folk song and rhyme, in a reflective three-part lyric on the nature of true love. Perhaps one was put off by Holloway's programme note, quirky and quaint; but the music itself sounded oddly pallid—a concoction of mildly attractive phrases and figurations (the harp vaguely recalling Britten's *Ceremony of Carols* and the two Debussy *Danses*) stirred together in a fashion that suggested lavender-water mannerism rather than inspiration. I warmed to the contrasting plainness of diction in Colin Matthews' five Rilke sonnets, *To Orpheus*.

With *Noye's Fludde* brightly decked out in Orford Church for two performances on Saturday evening, the festival once more revisited its past. The staging, by Pimlico School, in Richard Gregson's revival of the original Colin Graham production, was energetic, and full of cheerful goodwill (matched by a large audience). But under John Lubbock the musical side of things was a little thin-blooded; the tunes seemed less catchy, the dramatic devices less ingenious, than they used to. It would be foolish to suggest that the festival put aside for even a short while its legacy of Britten music-theatre pieces (for want of a better catchpenny title) when the buildings for which he wrote are still so gainfully employed in their performance. Perhaps what is needed is a new style of Britten production, stripped of all deference to the past (though not unfaithful to the works themselves) in the manner of the Covent Garden *Peter Grimes*. At the moment the works—and for that matter the festival itself—seem not to have quite completed an uneasy period of transition.

'Mrs. Isabel Styler-Tas,' Salvador Dali, 1945

National Portrait Gallery

20th Century Portraits

by DR. ROY STRONG

I approached the exhibition of 20th Century Portraits at the Carlton House Terrace extension of the National Portrait Gallery not without interest. For a decade and a half I worked in that gallery, seven years below ground level and eight apotheosised onto the ground floor as its director. The exhibition summed up for me what was perhaps the central dilemma of the place as an institution. Its future, of necessity, depends on the viability of the portrait as an art form in this century. Nothing can equal the crushing sense of aesthetic collapse than the NPG's post-1900 collection, something which the founders of the gallery in the 1850's could never have anticipated. Robin Gibson, the exhibition's organiser, has politely included a few of them—Patrick Heron's T. S. Eliot or Ullbricht's Mountbatten—to hang alongside van Dongen, Dali and Kirchner but on the the whole their inclusion seems less an act of selection than of charity or downright desparation. No display could more conclusively prove that the future of the NPG depends on the multimedia of film and photography, and that portraiture, in the old sense, will form only an occasional brilliant flash.

Why is this? It is precisely as Gibson points out, not only the hopelessness of the British when it comes to commissioning portraits to take any adventurous line but also the retreat of the artists themselves into the *closed world of their own circle*. If a modern artist touches portraiture, and they mostly do with more than a degree of condescension, it is *they* who chose the model. There *are* great modern portraits but they are of the artist's wife, family and of himself, his friends, his dealer, at a pinch of intellectuals who attract him or, at an even greater pinch, those whose cheque books are large enough to cause the Red Sea to divide. It is indeed refreshing to see one of our national collections placing its problems so coolly and openly before the public. There is overall an air of resignation. The placing of photographs, brilliantly chosen, side by side is indicative of the only way forward for the gallery short of the wasteful accumulation of the aethetic dross which has been its policy for too much of this century.

The central theme of the exhibition, that of the impact and resolution of abstractionism on portraiture, is succintly summed up for us by the series of three portraits of Ambrose Vollard, the dealer, by Renoir, Bonnard and Picasso. For Renoir, Vollard is a renaissance conoisseur fingering with pleasure a sculpture like a member of the Medici court. The picture is full of reminiscences *of the renaissance tradition*. For Bonnard he is just a dumpy, sleepy, balding middle-aged man slumped nursing a cat on a sofa in a studio. For Picasso in 1909-10 he is a pattern of cubist rectangles and lines, still clearly *recognisable because the painter* has stopped just short of exploding the component lines of the face around the canvas also. That was soon to follow.

These *three images* sum it up. After looking at them the visitor is free to move and enjoy the stylish presentation of a marvellous personal anthology. Each and every one of the faces swings to and fro on this eternal pendulum, from the presentation of an image or office rather than a human being, to a private personal image, to the sitter being subjected to the distortion of whatever happened to be the reigning style of the moment.

What struck me most was that abstraction in fact took to an extreme the mannerist theory of the portrait as depicting the idea of a person rather than an actuality. Albert Gleize's Stravinsky of 1914 is an accumulation of attributes. It celebrates through its forms and shapes the angular harmonies of the composer in much the same way that it is incidental in a portrait by Rigaud that it is a King of France rather than a still life of symbols. Where such symbols are lacking the modern abstract painter, unlike his predecessor, quickly runs into trouble. Not even the genius of Picasso can match the Man Ray photography of Lee Miller in its ability to ensnare her beauty and *Vogue* chic.

Otherwise it is an anthology through which to browse. There is a marvellous Vuillard (not *strictly speaking a portrait*, a definition which gets its organiser understandably into terrible difficulties) of his wife and niece, the microcosm of an enclosed domestic world of pure happiness, warmth and human affection. The room is lit by the sunshine of Madame Vuillard, a lovable lump whose smile gives life to the amiable clutter. Otto Dix is a painter about whom we know all too little in this country. An early work, in the expressionist vein, of Adolf Uzarski anticipates the savage power of his greatest critiques of the decadent society of between-the-Wars Germany. The painter-poet is cruelly satirised with his neck and hands like talons clawing the air while behind the world has been changed to a baroque nightmare fantasy reminiscent of Chirico. Fear never seems far from a lot of these likenesses. Indeed the most memorable of the portraits do, in fact dwell on the vulnerability of human kind rather than, as in the past, its immortality by means of the brush and chisel. Dali's *Mrs. Isabel Styler-Tas presents* an over-upholstered profile in the renaissance manner face to face with herself transmuted into an Arcimboldo fantasy of rocks and cypress trees with a path winding its way into her brain. *Lucien Freud's Girl with Roses*, his first wife, Kitty, is an essay in anticipated terror. The eyes stare transfixed, the lips part and a hand tightly clasps the thorny stem of a rose.

The 20th-century portrait at its best does not, therefore, ever seek to give its sitter reassurance or pay homage to the outer surfaces. It aims instead to tear away the mask and this is a challenge which requires not only exceptional bravery on the part of the artist but even more of the much-maligned victim. Come back Gainsborough, all is forgiven.

M.V. Pride of Greenwich

Mike Westbrook Brass Band

by KEVIN HENRIQUES

Pianist / composer / arranger/ bandleader/euphonium player Mike Westbrook is one of Britain's most diversified jazz talents—apart from music he has also collaborated in several theatrical and mixed media productions. *In recent months he* seems to have been concentrating on his six-piece Brass Band, a group which can be safely termed unique. Not because it comprises versatile multi-instrumentalists who also sing but because *of its astonishingly eclectic* repertoire. This ranges from jazz standards to settings of William Blake poems, from Brecht/Weill music to hymns. In fact almost anything which comes under the broad category of music.

This immensely approachable, instantly likeable band appears in diverse locations—recently it played three afternoons outside the Serpentine Gallery in Kensington Gardens. Last weekend it opened a series of Friday evening cruises from Westminster Pier, organised by Ogun Promotions and promising to feature, until August 4, some of the best local musicians, most in the modern idiom.

Though there was nothing proud about the *Pride of Greenwich's sound system on Friday* the Brass Band's two sets were at least an accurate representation of its style. An unfussy arrangement of John Lewis's "*Django*," for trombone, tenor horn, *trumpet, piano, tenor-sax* and percussion, and John Coltrane's "Naima" represented the modern side of the band's programme. Contrasting heavily was the folk song "Bartlemy Fair" in which Phil Minton's *sometimes-raucous, other times* soft, voice vividly recalled the throbbing ambiance of the ancient West Smithfield fair.

Also heard were Mike Westbrook compositions, a version of "Alabamasong" from Brecht *and Weill's Mahagonny sung in* emphatic German, and a beguiling, dumb-blonde rendition by Kate Westbrook of Rodgers and Hart's "Ten Cents a Dance."

These titles illustrate the wide *spectrum* the band covers. The interpretations, usually with trumpet, tenor horn, two euphoniums, drums and saxophone (tenor or soprano), are never gimmicky. The band has an *aural compulsiveness. Its intent is to entertain and please.* Humour, subtle or heavy, is never far away. It was simply a pity that on Friday the previously mentioned unsatisfactory sound robbed some of the songs of their impact.

For a clearer, cleaner audition of the band its latest LP *Goose Sauce* (Original Records, ORA 001), from which several of Friday's items were taken, is a more than satisfactory substitute. Like the Brass Band itself *the LP is imaginative and* totally enjoyable.

Goose Sauce is also the title of the band's jazz cabaret which it is performing at the Open Space from July 4 to 9.

Prospect at the Old Vic

A £1.3m. appeal was launched yesterday to re-equip the Old Vic "as an exciting and effective *drama centre for the 1980s and* beyond."

Following the departure of the National Theatre Company for its new South Bank home in 1976, Prospect Theatre Company has continued the theatre's classical tradition.

In October, Toby Robertson, director of Prospect, became director of the Old Vic, charged with bringing the theatre back to the forefront of the British theatrical scene.

The money is needed to revitalise the historic building by modernising the stage, auditorium, theatre equipment and public areas.

It is also hoped to provide an endowment fund to enable the theatre and its new resident company to continue to stage effectively the best of classical and lyrical drama.

Prospect has, in recent years, played an increasingly important role in presenting classical and modern theatre on tour throughout the UK and abroad.

With the Old Vic as its metropolitan base, it is envisaged that this activity can be extended.

Open-air courtyard entertainment

The working population in and around the EC4 area of London is to be provided with an 11-week season of free lunchtime entertainment to be held each Friday, from 1-1.45 pm in the open-air courtyard of the W. H. Smith building in New Fetter Lane.

The weekly entertainment, commencing on Friday, June 30 and ending on Friday September 8, will follow the tradition of London street performers from bygone days, with performances by poets, groups playing early music, dancers, jazz musicians and travelling actors.

This is the first-ever season of its kind arranged by W. H. Smith, who moved into their purpose-built head office in 1976 and decided that the unusually shaped courtyard would lend itself to this type of professional entertainment.

The first lunchtime interlude will be a performance by members of the Bubble Theatre Company. Established in 1972 at the instigation of the Greater London Arts Association, the travelling Bubble Theatre has since played to almost 200,000 people with 37 shows in most of the 32 London boroughs.

Albert Hall

Liaoning Acrobats

by CLEMENT CRISP

The programme does not enable one to identify him, but an unknown genius perches ten feet above ground on a unicycle, and with every appearance of enjoying himself, tosses a dozen bowls with one foot so that they nestle one inside another on his head. Then, because life has been getting dull, he adds a cup and spoon, and a tea-pot with lid, and somehow contrives to pour a drink from the pot into a cup.

He is, of course, a Chinese acrobat, one of the troupe from Liaoning who are at the Albert Hall for the rest of this week, and with his colleagues he demonstrates that combination of skill, strength and dizzying virtuosity that has ever been the attribute of China's folk entertainers. Supreme ability in any form is enjoyable, and the cascade of tricks and balances, of back-flips and clowning and a demure nonchalance as improbabilities crowd on each other's heel, make for a very jolly evening. The company is somewhat less diverse in trickery than the Shanghai ensemble who were here a few years ago, but their *excellence is beyond question.*

Some of the capers defy belief. A girl does a hand-stand on another girl's head, her own head topped with rice-bowls which she removes with her feet; a lady conjuror produces a shoal of live gold-fish from thin air, finishing with one the size of a healthy mackerel. Four boys slither eel-like through hoops; a young man rides a bicycle with the bravura that has always marked Chinese horsemanship; a girl, twirling ten plates on bamboo rods, is poised upon a table which balances upon two glass vases, and bends back to retrieve a peony with her teeth.

It is all predictably impossible, and presented with the nicest and most unself-conscious air. There is an accompanying orchestra; the lion dance is superlatively done; and, as our illustration shows, the Chinese have invented the bicycle made for 12.

Leonard Burt

The Liaoning Acrobats

Festival Hall

Ashkenazy

by DOMINIC GILL

Two concertos introduced Mendelssohn's Italian symphony at the London Symphony Orchestra's concert on Sunday under André Previn—the last of Mozart's four little horn concertos K495, delivered with smooth and creamy tone, urbane and pleasing, by the LSO's principal horn, David Cripps; and Chopin's E minor piano concerto, thrown off with spectacular brilliance, bright as a gem, by Vladimir Ashkenazy.

It was a glittering account, cut quick and clean. It was rarely buoyant—in the sense of a buoyancy that can lift a phrase suddenly through the clouds and up into the open sky (as Lipatti in his famous recorded performance lifts measures 23-24 of the Romanze dizzyingly up and away into clearest blue, leaving earth far behind.) It took the breath away not with its lift, but with its forward thrust: a horizontal impetus, true as an arrow, wonderfully fluent, scrupulously clear.

Only in the Romanze did one sometimes miss the finer moments of heartlift, of simple grandeur and pathos neither to left nor right of centre, but exactly true—is dogged, consistent top-noting bright as a clarion, really the best way to deal with the melody right through the movement, from start to finish? But Ashkenazy's finale was a sensation: articulation like crystal, rhythms lapped with fire—very exciting, and of its kind very impressive. Previn's accompaniment was a model of poise and tact: discreet as need be, forward when it ought.

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Grasping the nettle

FOR SEVERAL years the Government has been finding it difficult to persuade able business executives to accept senior posts in the nationalised industries. This is partly because the conditions under which the heads of the state corporations have to work are extremely unattractive, and partly because the salaries offered are too low. On the first point the complaints are well known—lack of clear objectives, arbitrary interference from Ministers, uninformed criticism from members of Parliament and others. Many businessmen have felt that in these circumstances it would be impossible to do an effective job. The salary level has usually been a secondary consideration, but an important one. Not many businessmen are prepared to accept rates of pay which are about half the level of comparable jobs in the private sector.

Wage Restraint

It may be that the first set of problems will be eased if the principles and proposals set out in the recent White Paper on nationalised industries are implemented. But that will take time; there is still a good deal of disagreement about the appropriate institutional framework and the criteria to be used in assessing performance. The salary issue, by contrast, is clear-cut. The heads of the nationalised industries have been very shabbily treated. They have been made the pawns of successive attempts to win trade union compliance for wage restraint. Quite apart from the disincentive effect on potential recruits, the Government's handling of top salaries has created bitterness among the current chairmen, which can hardly be good for performance or for constructive relationships with Whitehall.

The matter has been festering for some time, particularly after the Government's decision not to implement the recommendations made at the end of 1974 by the Top Salaries Review Body, under the chairmanship of Lord Boyle. The recommendation then was that the chairmen of British Steel and the Post Office should have their salaries raised to £40,000 a year (from £28,100 and £21,100 respectively) and that the chairmen of most of the other large state corporations should go from £23,100 to £35,000. Apart from a £4 a week rise last year and a further 5 per cent announced in December, the chairmen's salaries have been effectively frozen. Now the Boyle committee has recommended to the Government that the general level for the chairmen of nationalised industries should be raised to £40,000; the level for the bigger corporations like British Steel and the Post Office would presumably go up even more.

The publication of these figures has produced a predictable reaction from one or two trade union leaders. But whether they are accurately reflecting their members' views is open to question. Electricians in British Steel or British Airways, for example, expect roughly the same rates of pay as electricians in the private sector. Why should senior managers be any different?

Certainly the timing is awkward for the Government, but it is always awkward. One day some Government will have the courage to grasp the nettle and pay the chairmen the rate for the job, just as the present Government, to its credit, had the courage to permit the state corporations to charge a commercial price for their products. It is hard to believe that the Government's hopes of a further period of pay restraint will be fatally damaged by the correction of a gross anomaly affecting a handful of senior men.

Repugnant

The increase in salary might be made more palatable — not just to trade union leaders, but to the public—if part of it took the form of a bonus related to performance. The performance criteria could not be confined to profitability, especially in a monopoly like the Post Office, and the formula would have to vary from corporation to corporation. But the principle of relating the chairman's remuneration to his effectiveness as a manager is surely worth examining. There are some members of the present Cabinet to whom financial incentives and large salaries are "morally" repugnant, especially in the public sector. The Prime Minister ought to overrule them. Unfortunately, the chances are that he will decline to make a fight of it and the problem will be deferred once again.

The Left wins in Iceland

ICELAND FACES a period of political uncertainty following the left-wing victory in Sunday's general elections. Given the island's strategic importance, it is hardly surprising that NATO planners have been keeping an anxious eye on the poll's outcome, particularly as the Marxist People's Alliance, one of the main victors, wants to take the country out of NATO and dismantle the important American base at Keflavik. But it is still far too early to draw firm conclusions about the likely policies of the next government in Reykjavik. The new Government will have to be a coalition, and a good deal of negotiating is bound to take place before it is formed.

Complicated

It is true that the left wing has done well. The outgoing Prime Minister, Mr. Geir Hallgrimsson, leader of the conservative Independence Party, conceded defeat well before the final results were known. At the time he did so, the People's Alliance and the left-of-centre Social Democrats looked likely to win a combined total of 28 seats in the 60-member national assembly, against only 21 for the Independence Party, down from 25 in the last elections in 1974. The Independence Party would remain the largest in the new Parliament, but the formation of a left-wing coalition would clearly be a possibility. The situation is further complicated, however, by the massive defeat of the left-of-centre Progressive Party, the junior partner in the outgoing coalition, which dropped from 17 seats to 10. The Party's immediate reaction to the election result was to opt for a period in opposition, apparently torpedoing plans for an alliance of all three main left-wing parties.

The elections' major victors have been the Social Democrats, who registered a spectacular increase from five to 14 seats. Their success means that the People's Alliance, which also won 14 seats, will not after all be the second largest party in the new Parliament. After its strong showing in last month's municipal elections, the People's Alliance had hoped to be the dominant force in a new coalition government. It had confidently been telling the electorate that a vote for parties in the centre-left of the spectrum, like the Social Democrats, would be a wasted vote. Unlike the People's Alliance, the Social Democrats are in favour of Iceland's NATO membership and the retention of the Keflavik base.

If the People's Alliance wants to form a government with the Social Democrats, it will have to moderate its opposition to NATO. It might, for example, settle for a re-negotiation of the current defence agreement with Washington to ensure that the U.S. in future keeps an even lower profile than it now does on the island. Foreign policy, however, was not the main issue in the election campaign, which concentrated primarily on Iceland's domestic economic problems and Mr. Hallgrimsson's rather chequered record in coping with the trade unions and inflation.

There is no doubt that the result is a severe personal defeat for Mr. Hallgrimsson. His party is badly split and his continued leadership must now be open to question.

Any new Icelandic Government will have to face a difficult choice between toughness towards the trade unions and the continuation of a high rate of wage increases. Neither policy will be popular with large sections of the electorate. As for NATO, it will be difficult for the People's Alliance to claim that it has a mandate from the electorate for its policy of outright opposition. In the final analysis, the majority of Icelanders would still probably prefer the low-key American presence on their island to the risk of exchanging one superpower for the other.

Hint of progress in the arms cut talks

BY PAUL LENDVAI, Vienna Correspondent

THE FORGOTTEN TALKS in Vienna for a reduction of NATO and Warsaw Pact forces in central Europe are showing some life at last. The eastern side has moved some way towards the Western position that a ceiling of 900,000 soldiers and airmen from each side should be imposed, rather than setting maximum strengths for each national contingent.

How far the Russians really did move when the proposal was submitted by Mr. Nikolai Tarasov on June 8 remains to be established. It may be some indication of how difficult the task is going to be that Mr. Tarasov's proposal came at the 172nd plenary meeting of the 19-nation conference, which began as long ago as October 30 1973.

Mr. Tarasov claimed that given a positive Western response the proposals presented on behalf of the Soviet Union, Czechoslovakia, East Germany, and Poland could produce a breakthrough, and move the negotiations decisively towards an agreement. After some initial hesitation and even some conflicting statements issued by various "authoritative sources" in Vienna, Washington, and Brussels, NATO spokesmen now describe the Warsaw Pact initiative both on and off the record as a "significant move" towards the structure and "some of the substance" of the Western position.

But they also say that without an agreement on actual figures of military manpower it will be impossible to reach a mutually acceptable agreement on reducing forces and armaments in central Europe. Furthermore, the offer falls far short of what the West proposed in its last major proposals of December 16 1975 as amended on April 19 of this year. In sum, there is still much to be done to clear up ambiguities concerning manpower data, and the post-reduction levels allowed to the 11 direct participants (the U.S., Belgium, Britain, Canada, West Germany, Netherlands, and Luxembourg for NATO, and the Soviet Union, Czechoslovakia, East Germany, and Poland for the Warsaw Pact) which have troops in the central region. The other eight states from the two alliances have a restricted status.

In order to understand both the scope and the limits of the Warsaw Pact move, one has to remember the starting positions of each side. The West sought to reduce the disparity of about 150,000 troops and some 10,000 tanks existing in the central region in the East's favour. Its three main demands were—and are—that:—

- Any agreement should provide for approximate parity of ground force manpower, which means that the Warsaw Pact would have to reduce its troops more than NATO;
- That there should be an equal common collective ceiling on the manpower of each side without placing numerical limits on individual national forces; and
- That the reduction should be carried out in two phases, with first stage cuts confined to forces of the two superpowers stationed in the central area.

The East all along insisted on equal cuts, seeking to preserve and to give a contractual sanction to its existing superiority. Its negotiators pressed for across-the-board comprehensive reductions by all participants of all types of forces and armaments. Last but not least, the Soviet side wanted to impose national ceilings which would have disrupted Western defence policy and made it difficult, perhaps impossible for the alliance to compensate for a reduced U.S. presence by increasing other national forces.

The freeze on national forces was in practice specifically aimed at the Bundeswehr. To break the deadlock, NATO in December, 1975, proposed the withdrawal of 1,000 U.S. tactical nuclear weapons, 54 aircraft with nuclear capability, 36 Pershing missile launchers, and 29,000 troops from central Europe in return for the withdrawal of an entire Soviet tank army of 68,000 troops and 1,700 tanks from East Germany. Two months later, the East put a counter proposal which moved somewhat closer to the two-phase approach without changing the projected final outcome. In short, it was not regarded as an adequate response to the previous Western offer.

Overshadowed by the conflicts at the Belgrade follow-up conference on European security and by the sharpening tensions between Washington and Moscow, the Vienna talks were deadlocked for almost two years. But it is important to realise that the basic groundwork was being laid for possible progress. The weekly plenary meeting was regularly held on every Thursday and the American and Soviet chief delegates also regularly met on an informal basis. It is at these informal encounters, lasting for three to four hours in the respective private residences, that the real bargaining is done, much to the chagrin of the Romanians who have repeatedly criticised the practice of holding unofficial meetings.

Though formal proposals are introduced only at the plenary meetings, the two sides inform each other in advance of any forthcoming move. Thus it was no surprise when NATO last April put forward some proposals which in any case had already been widely and publicly discussed for almost half a year. In essence, it offered the Soviet side greater flexibility by suggesting that five Soviet divisions (instead of one tank army) plus 1,700 tanks might be withdrawn not only from East Germany, but also from Poland and Czechoslovakia. Furthermore, the West also agreed that two-thirds of the 29,000 American troops to be withdrawn in phase one would be moved out in complete units and not by thinning out divisions. It also offered more specific commitments with regard to the timing of second phase reductions. NATO tabled the proposal after the two sides had agreed on an exchange of more detailed additional data on the forces involved.

The Balance of Forces in Central Europe

	NATO Countries*	Warsaw Pact Countries	Relative strength NATO: Warsaw Pact
TOTAL SOLDIERS			1:1·2
SOLDIERS IN FIGHTING UNITS			1:1·2
MAIN BATTLE TANKS			1:2·7
ARTILLERY			1:2·5
FIXED-WING TACTICAL AIRCRAFT			1:2·4

*Including French forces in the Federal Republic of Germany

Narrowed the gap

It was then, on June 8, that the Warsaw Pact side made new substantive proposals which undoubtedly have narrowed the gap separating the two sides. The question is by precisely how much. For the first time, the East accepted the principle of collective rather than individual national ceilings, and the western suggestion that each side should be limited to a total of 700,000 ground forces with a combined ceiling of 900,000 on total ground-and-air force manpower. In phase one that means that within one year the Soviets would be willing to take out 30,000 men (two divisions and the equivalent of another in the form of detached units, plus an army corps command headquarters with support-service units), 1,000 tanks and 250 infantry combat vehicles, in exchange for a reduction of U.S. forces by 14,000 troops and the withdrawal of 1,000 U.S. nuclear warheads and 90 aircraft and missiles (as proposed by the West 2½ years ago). This means that the East has also accepted the principle of selected and differentiated reductions of armaments.

According to eastern figures, the Soviet Union and the U.S. each would cut its forces stationed in Central Europe by 7 per cent. In a second phase within two-three years all direct participants would follow suit with the West reducing by 91,000 men and the East by 105,000 to reach a common collective ceiling. The very arithmetic basis of the offer is however disputed by NATO which calculates that not 105,000 but 262,000 Warsaw Pact ground troops would have to be removed from the central region to reach the 700,000 ceiling.

Even allowing for mistakes, the difference between the two figures amounts to more than 15 per cent of the Warsaw Pact forces as calculated by NATO experts. An Eastern source sees the reasons for the discrepancy in data in a western assumption of too high a degree of manning, in the inclusion of paramilitary forces such as frontier guards and internal security units, and in the so-called grey area of conflicting definitions. But the West claims that the paramilitary units were excluded from its estimates.

A second major stumbling block is the eastern interpretation of common collective ceilings. An Eastern source told the Financial Times that the new Warsaw Pact proposal also spells out certain restrictions without providing for individual national subceilings. But in fact the new formula would contain a provision that no direct participant might increase its forces above the level existing before the reductions. Furthermore, a direct participant might only compensate for 50 per cent of a reduction made to another national force. What does this mean in practice? The West German Bundeswehr now has 340,000 soldiers. Reducing NATO forces to 700,000 would involve cutting the Bundeswehr to 300,000. If, subsequently, unilateral reductions were made by another NATO member or if a member were to withdraw from the alliance, the Bundeswehr would only be allowed to compensate for half of the reduction, and moreover, would be forbidden to increase its strength over 340,000 even if the common collective ceiling of the alliance as a whole remained the same.

Apart from prejudicing the so-called European option (if western Europe becomes a united state) such an agreement would also not be binding up[on] France, since France is not pa[rt] of the military structure [of] NATO and rather frowns up[on] the Vienna talks. Thus national subceilings are impose[d] and if France were to withdra[w] more troops from We[st] Germany than provided for, t[he] West would have fewer troo[ps] in central Europe than allow[ed] to it. In the unlikely event [of] France increasing its forces [in] Germany, the West would ha[ve] too many troops and would ha[ve] to pull some out.

The East wants to free certain categories of civilia[ns] employed by the armies whi[le] conceding the need for further clarification of t[he] definition of military personn[el] as such. In any case, by t[he] time U.S.-Soviet reductio[ns] would be complete, a seco[nd] phase agreement concerni[ng] timing and scope of reductio[ns] will have been signed. The Ea[st] also wants an escape clau[se] giving it a cast-iron guarant[ee] that what it calls "undiminish[ed] security" would be maintaine[d].

The Vienna conference is t[he] only forum where diplomat[s] and military experts of the t[wo] blocks meet regularly face-[to-]face. So far it has not be[en] affected by the deterioration [of] the East-West atmosphe[re]. Even a comprehensive agre[e]ment would change little [in] those strategic and structur[al] disparities in Europe whi[ch] are due to the relative vicini[ty] of the Soviet Union and t[he] distance of the U.S., and to t[he] fact that the strategic missil[es] in the western parts of t[he] Soviet Union are targeted [on] the central region witho[ut] being subject to an MBF[R] treaty. Nevertheless, real pr[o]gress in Vienna could have [a] greater than expected impa[ct] on East-West relations, also [as] a proof that the ominous tre[nd] towards confrontation can [be] reversed.

Time left before the summ[er] recess in mid-July is too sho[rt] to find out just how serious t[he] Soviet concessions are a[nd] whether the discrepancy of da[ta] can be resolved. Behind t[he] smokescreen of claims a[nd] counter-claims the long-stall[ed] talks may well have entered [a] decisive stage, though it wou[ld] be premature to speak alrea[dy] at this difficult and delica[te] stage about a "breakthrough"


A Phantom fighter takes off: The West has proposed a reduction of the number of aircraft with nuclear capability, such as these, in the central European area.

MEN AND MATTERS

Dawn watch in New York

You might expect that after 32 years with the same company, Dennis Weatherstone would soon be put out to grass with a gold watch. But in fact he is still only 47 and has just been made one of the two deputy chairmen of the bank he joined in 1947, Morgan Guaranty, and of its holding company, J. P. Morgan and Co Incorporated.

It is arguably one of the highest positions occupied by a Briton in the New York banking scene. Yet, when he was transferred in 1971 to run the head office's foreign exchange and international treasury department, he was the last to hide that he was less than enthusiastic. "I thought London was the financial centre of the world," he told me yesterday on the telephone from New York—adding that, though he believed London was still best, he was doing his best to narrow the gap.

Despite the many office and bank headquarters in New York and the role of the dollar, Weatherstone said he did not yet see New York in "an overtaking situation." In part, he said, this was because so much trade is invoiced in dollars that U.S. manufacturers are not involved in foreign exchange markets. But he said that also the time zones worked against New York—though he has introduced dawn shifts in New York to change this.

Weatherstone, who has a reputation for carving profits out of foreign exchange, told me he had been surprised how little attention the U.S. banks gave to their international business. His colleagues say he "revolutionised" his head office and its links with the Euromarket. Now of course Morgan, like many banks, reaps a major chunk of its profits abroad.

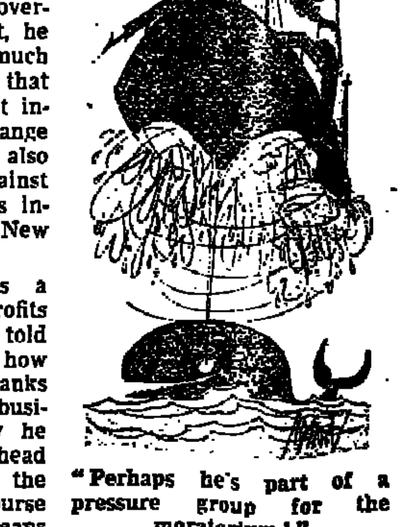
A fit, slight Londoner, he is already in charge of world-wide funding, money-market, trading and portfolio operations of the bank. He is understandably keen to see New York develop international banking facilities for offshore business.

Though joining the bank as a junior clerk, he completed the exams of the Institute of Bankers while still 18 and claims to be their youngest graduate ever. He sees his promotion as meaning "good old London has chalked one up"—though, for what it is worth, the bank's London office is run by an American and its regional operations in Britain and Scandinavia by a Frenchman.

Team spirit

A sentence of life imprisonment has just been passed on Tony Provenzano, leader of the Teamsters Union in New Jersey. He was found guilty of conspiring in the murder of a union rival; the law has taken a long time to catch up, seeing that the murder was in 1961. His job has now been taken over by his daughter Josephine, aged 26. According to Frank Fitzsimmons, the Teamsters' president, this was by an "unanimous" vote of New Jersey's 1,300 members.

In his first Press conference for more than two years, Fitzsimmons—who became leader in 1975 after the still unexplained disappearance of rival Jimmy Hoffa—said the union, with its 2.3m members, was "the greatest organisation God ever created."


"Perhaps he's part of a pressure group for the moratorium!"

In a glass darkly

Royal warrants are reviewed every 10 years, meaning that some firms have jittery moments when their term comes up. According to that most sober Toronto daily, The Globe and Mail, the outlook is so uncertain for Canadian Club whisky that Canada's diplomats are pointedly ordering it at Buckingham Palace receptions to ensure that it keeps the royal coat of arms on its label. "Of course, some of us like it, but there is no lobby afoot. I personally prefer Scotch," a spokesman at the Canadian High Commission told me. Hiram Walker, the makers of Canadian Club, adamantly deny that diplomacy is coming to their rescue.

But their headquarters near Windsor — Ontario, not Berkshire—do admit to having had some indications that the warrant will not be renewed next year. It seems that demand in the Palace is just not what it was when the warrant was originally issued, in those high-living days of 1898.

Big picture

Analyses of bond markets rarely make colourful reading. So I do not blame John Grant, chief economist of Canadian investment bankers Wood Gundy, for trying a bit of purple prose. In his latest Fixed Income report he dares to compare the Canadian capital market with a painting by Salvador Dali. "The main themes leap out at you with surrealistic vividness and all over the canvas there are clusters of creative busyness... Here there is a plastic distortion of reality and there a melted time horizon or two. Yet, when you step back from the canvas it all seems to hang together. And you go away with the feeling that the Canadian capital market is in very good shape."

You may also go away with the feeling that economist Grant is waving his paintbrushes around a bit wildly.

Last resort

Although for obvious reasons the names of the people involved cannot be revealed, this story I have garnered in Whitehall is entirely true. A company in a development area "somewhere in England" had been given so many loans that the Department of Trade finally decided to call a halt. An official was sent up to convey this grim decision to the managing director.

A short while ago the official chanced to meet the managing director in the street and was invited by the latter to his flat for a drink. The flat proved to be most luxurious. The DTI official apologised for having once been a bearer of painful news. "Don't think about it, old boy," said his host. "There was no alternative, really. Things had got so bad for the company that I was almost being driven to using some of my own money!"

Observer

FINANCIAL TIMES SURVEY

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British Exports

Substantial parts of British industry are competing well in world markets but with the growth of world trade likely to be slower in the next few years exporters are going to have to fight hard to hold their position, let alone improve it.

The battle hots up

By Geoffrey Owen

IN EXAMINING the prospects for increasing the UK's share of world exports, it is all too easy to be depressed by the strength of the competition. Quite apart from the long-established tendency for traditional export markets to disappear as importing countries build up their own manufacturing industries, the ranks of exporting nations are looking uncomfortably crowded.

There are the new industrial countries like South Korea and Taiwan, whose economic strategies, largely modelled on Japan, are geared to a rapid increase in exports. There are countries like Brazil and India which, despite their huge and undeveloped home markets, are determined to extend their range of manufactured exports into sectors of advanced technology.

There is Japan itself, busily diversifying its exports in order to lessen its dependence on politically sensitive products like steel, cars and consumer electronics; within a general move towards products of higher sophistication and added value (and hence less vulnerable to the appreciation of the yen), there is special emphasis on mechanical engineering, where Japan's share of world exports is still surprisingly low.

Finally there is the U.S. The fall in the value of the dollar, coupled with the well-known American advantages of high productivity and economies of scale, has made exporting from the U.S. more attractive; the impact is being felt both in Western Europe and in third markets.

SHARES OF WORLD EXPORTS OF MANUFACTURED GOODS
(per cent)

	All manufactured goods			Chemicals		Non-electrical machinery		Electrical machinery		Transport equipment	
	1966	1976	1977	1966	1976	1966	1976	1966	1976	1966	1976
West Germany ...	19.4	20.6	20.7	21.5	22.3	23.2	24.9	19.6	20.0	21.2	18.7
U.S.	20.2	17.2	15.7	23.8	17.7	28.3	24.6	23.0	19.7	23.1	20.2
Japan	9.7	14.6	15.5	6.0	6.7	4.2	8.6	12.8	20.5	9.8	20.5
France	8.6	9.7	9.8	10.1	10.8	6.3	8.8	6.7	8.5	8.2	10.0
UK	13.2	8.7	9.3	12.0	9.7	15.4	10.2	12.1	7.6	15.2	6.1
Italy	6.9	7.1	7.5	5.9	5.1	6.6	7.9	6.0	5.5	5.4	4.5

Note: The figures refer to the shares of exports by the eleven main manufacturing countries. In addition to the countries listed above these are Belgium/Luxembourg, Netherlands, Sweden, Switzerland and Canada.
Source: Department of Trade

Competition

It is sometimes argued that second-ranking industrial powers such as France and the UK are likely to be hardest hit by the changing pattern of world competition. They will be squeezed on one side by the three most powerful industrial nations—the U.S., West Germany and Japan—and on the other by the developing countries, which are no longer content to rely on labour-intensive industries. But even if this analysis is accepted, it is not clear what practical conclusions result from it. No-one has yet devised an all-embracing formula whereby the UK can select the sectors of industry in which it is most likely to achieve international competitiveness and then ensure that the necessary investments and manpower are directed into those sectors.

The fact is that today substantial parts of British industry are competitive in world markets. Some of them might be described as knowledge-intensive sectors, in the sense that acceptance of the product by the customer depends on technology rather than price. Others are standard items produced in volume and selling largely on the basis of price. While there may be a tendency for the first group to gain in importance, it would be absurd to suggest that the UK should deliberately phase out industries which depend on mass production.

There will certainly be changes in the geographical location of some major industries, but the future division of labour between the developing countries and the older industrial countries is unlikely to be very clearly defined. Even in the textile industry, for instance, there are some branches where British companies have established themselves as low-cost suppliers of standard fabrics, combining high quality in the finished product and economies of scale in manufacture with the UK's advantage of relatively low labour costs.

Table 1: UK TRADE BALANCE IN MAJOR SECTORS
(surplus (+) or deficit (−) in £m)

	1977	1976	1975	1974	1973
Machinery	+3,039	+2,689	+2,444	+1,254	+856
Chemicals	+1,456	+1,083	+795	+590	+395
Road vehicles	+738	+945	+944	+729	+501
Other transport equip.	+124	− 7	+ 1	+198	+118
Instruments	+ 85	+ 67	+ 69	+ 42	+ 41
Textiles	+ 62	+ 52	+ 39	+ 79	+106
Iron and steel	+ 31	−145	−144	−163	+ 60
Clothing and footwear	−281	−369	−310	−235	−203

Source: Overseas Trade Statistics.

The growth of world trade is likely to be slower over the next few years than it was in the sixties and early seventies; British exporters are going to have to fight hard to hold their position, let alone improve it. But recent trends are by no means discouraging. Last year the volume of the UK's manufactured exports rose by about 8 per cent., which was about twice the growth of world trade in manufactures as a whole.

There is some evidence, particularly from foreign-owned companies, that the comparative attractions of the UK as a manufacturing base have tended to increase. Much will depend on whether the slow-down in wage and price inflation is maintained, but the combination of an advanced industrial background, political stability and low labour costs should constitute a powerful advantage in the competitive battle.

So much publicity is given to the failings of British industry that its competitive strengths in many sectors are often underestimated. It is true that there are serious failings and these have to be put right. The fact that the UK became a net importer of steel in 1974 reflected production problems within the British Steel Corporation which have not yet been entirely corrected. Yet it is worth noting that the UK returned to the black in its steel trade last year and that British Steel continues to be one of the country's largest exporters. While the scope for exporting bulk steel from the UK is probably more limited than was thought a few years ago, the prospects for stainless and other high-value grades, where there has been considerable investment by UK mills, are good.

An even bigger disappointment, particularly in comparison with a country like France, has been passenger cars, where the UK is a substantial net importer and the share of foreign models in the total domestic market has reached an embarrassingly high level. How quickly this will be put right depends to a large extent on the new management of British Leyland; the balance will also be crucially affected by the sourcing and investment decisions of the three American-owned car manufacturers, all of which achieved a substantial increase in their exports last year. In road vehicles as a whole, including components, the UK still enjoys a large trade surplus.

By far the biggest contributor to the UK's trade surplus in manufactured products is machinery. Last year this sector achieved a surplus of over £3bn., about twice as large as the contribution from the chemical industry. Non-electrical machinery, as Table 2 shows, is one of the sectors of international trade where the UK's share of exports is higher than that of France and Japan.

Strength

The reason is that in a fair number of product categories—such as diesel engines, farm tractors, mining machinery, some types of textile and construction machinery — the UK has companies which are among the international leaders in their field. To some extent the areas of strength are associated with heavy investment in the UK by the so-called multinationals — mainly U.S.-owned companies which decided some years ago to make the UK their main European manufacturing base and which have continued to support their British plants. But whether British or foreign owned, the successes are those companies which have matched international competition in product design, manufacturing efficiency and marketing skill.

To break into the world's top league normally requires a solid position in the home market from which an export drive can be launched. Where the requirements of the home market are totally different from those of overseas customers, as has been the case in nuclear power and telecommunications, it is very difficult for the manufacturers concerned to compete successfully for exports.

At a time when several developing countries are making large investments in new telecommunications systems, it is galling to see the lion's share of the business going to Continental, Japanese or American concerns.

It is important that the same mistake — of staying too long with an obsolete technology — is not made in other parts of the electronics industry. The UK has some strong electronics companies, especially in military equipment and capital goods, but lacks a strong presence in the production of micro-electronic components which, most authorities are convinced, will have a profound impact on the world electronics industry and on a number of user industries—over the next few years.

This is a field in which some Government assistance will almost certainly be necessary. There are nevertheless strict limits to what the Government can do directly to improve the position of British manufacturers in world markets. It used to be said a few years ago that companies in, say, France, Italy and above all Japan could count on the active support of their governments in securing export business. It was claimed that in the range of financing facilities available, in their export credit arrangements and

CONTINUED ON NEXT PAGE

BRITISH EXPORTS II

The following eight articles deal with the industries that provide the major part of the UK's exports: their performance, their share of world markets, their main competitors, their strengths and weaknesses and the prospects and problems that they are likely to face during the coming year.

Motors: still a force

IN BRITISH Leyland and Ford the motor industry embraces two of Britain's largest exporters, another two significant performers in Vauxhall and Chrysler, and a host of strongly export-orientated companies among the component manufacturers. But despite this exporting bias, the record of the individual companies in overseas markets is extremely patchy. Taking a broad view, the overall trend in the last decade has been away from vehicle exporting and towards more component exports — a move which has both confirmed and exacerbated the decline of vehicle building in Britain.

Last year's figures, which reflect a relatively poor year for the components industry, nevertheless indicate what has been happening in recent years. The value of car exports went up 19 cent to £752m, and of commercial vehicles by 19 per cent also to £653m. But component exports rose by 22 per cent to £1.6bn. In most years during the 1970s the components industry has done even better relative to the car manufacturing sector.

These figures reflect two basic facts. First, Britain's weakened car industry has simply not been in a position to develop an aggressive stance overseas. Its strong exporting position in the immediate post-war years was built on the combination of its traditional Commonwealth markets and a world-wide shortage of products. But as trade barriers came down, and the Commonwealth markets became less important, its inherent shaky supply position and questionable quality came to weigh heavily against it overseas.

The U.S. market began to move steadily towards the West German companies, particularly Volkswagen, and then to the Japanese, because of their ability to guarantee regular supplies and reliable products.

Meanwhile, Britain was not a partner in the rapidly developing free-trade area of the EEC, which boosted the exports of most of the other major participants.

Secondly, the U.S. multinationals—Ford, Chrysler and Vauxhall—which have such a large stake in the British industry, are not inherently as committed to exporting as British Leyland, the one indigenous manufacturer. This is not to say that the U.S.-controlled companies are not interested in exports. But they all have overseas associates and can divide up market coverage in a way impossible for a purely national producer to copy. German Ford, for example, accounts for a very large proportion of the group sales in the Continent; and Chrysler France dominates Chrysler sales in most of the EEC.

Trend

At the same time the multinationals have become much larger exporters of components in recent years as they have sought to integrate their European parts manufacturing plants. This trend has accelerated rapidly in the last two years, helping to expand the component export figures, and also contributing to a hump in the component import statistics in 1977 (imports went u pby 66 per cent).

What has happened is that these producers now make more parts on a European basis and ship them across frontiers to the assembly works. In the case of Ford, and increasingly of the General Motors activities in Britain (Vauxhall and the AC Delco components company), Britain is seen as a prime source for parts supplies —Ford's planned new Bridgend factory is a case in point.

Both Ford and General Motors, through its Vauxhall/Bedford subsidiary, are also concentrating on developing Britain as a base for commercial vehicle production and export. Ford builds most of its European trucks and all of its tractors in the UK, and GM recently made Bedford the centre for all its commercial vehicle activities in Europe. If and when these companies grow, there will be a direct spin-off in the UK.

Chrysler's main exporting interest derives from the virtually unique contract to provide the parts for the Iranian Paykan car—a derivative of the Hunter—as a base for building up Iran's motor industry. This deal is now running at well over 100,000 units a year, worth about £100m in sales, and accounts for the biggest single slice of UK motor industry sales overseas.

By contrast with the U.S.-controlled companies, BL, the former British Leyland, has a much more traditional exporting profile. Its emphasis is on build-up vehicles; and it tries to compete in a wide variety of markets, not in the more selective zones practised by the multinationals.

By world standards BL is no longer a really large-scale exporter. Last year it exported 355,000 cars and commercial vehicles against more than 1m by Renault, 1.4m by Toyota, and 1.2m by Datsun. But BL, nevertheless, has an unusual position in world markets by virtue of the Land-Rover range which has won widespread acclaim. This vehicle is in such demand from the armed services and for all kinds of uses in the developing world that it gives the company an entrée for the rest of its product range, notably the Leyland trucks.

Indeed, Leyland has a reasonably strong position in the developing world, particularly in Africa. It has, for instance, developed in Nigeria until this is now the second most important export area in the world for the British motor industry after Iran.

By contrast with the vehicle sector, the UK component manufacturers have expanded rather than contracted in recent years. Their exports account for only a part of their overseas business, since they have also put a great deal of investment in plant outside Britain as well. But there has been an appreciable advance in parts sales abroad, both in the older Commonwealth markets and within the EEC. The object has been to get into as many markets as possible, ally themselves with vigorous overseas vehicle producers, and through producing parts for virtually every vehicle in the world, get an entrée into the particularly profitable replacement parts business all over the world.

Within the next decade, the world motor manufacturing industry is likely to change so much that it will present an entirely new challenge to vehicle exporters. Already Japan has marched ahead to become by far the biggest exporter in the world—with 4.4m vehicles last year it exported more than double the number of any of its major competitors. But several new competitors are also likely to enter the lists. South Korea, for example, has already begun exports to Europe, and intends to expand further; similarly, Iran is developing quickly, and a number of Comecon states are showing an increasing interest in overseas markets.

As production increases in the developing world, therefore, the Western motor companies will find their export markets, and even their own domestic sales, increasingly under challenge. Many developing countries, rather than providing sales opportunities as in the past, will be asking to buy the technology to build up their own production facilities. Thus the trend in exports will be towards the provision of these facilities, along with sufficient component parts to get these developments afloat. The major European built-up vehicle exporting effort is likely to be directed at America—although the U.S. itself promises to pose an exporting threat as its own vehicle designs grow smaller and more in line with the rest of the world's needs.

Most European vehicle manufacturers, indeed, now believe that the industry will develop increasingly on a Continental pattern—that is to say that vehicle production and exporting will tend to be contained within large continental zones, such as Europe or South America. Wider scale exporting will become a matter more of technology and important components. The economies of scale in component manufacturing, for example, are advancing swiftly, because of new mechanised methods, to a point where it is quite possible to produce some parts in only one or two factories on a world scale.

Britain's strength in the components field, therefore, will be a valuable asset in responding to the challenge of the next decade. By contrast with France and West Germany, the UK has proportionately larger and more international component producers, most of them well established throughout Western Europe and in North America. The weakness which exists in the car manufacturing sector, however, remains critical. By contrast with Continental producers, the UK companies are in a poor position to sign co-operation and development contracts.

This is why the Land-Rover range and Leyland's commercial vehicle interests are of so much importance, and are now attracting so much attention from the BL chairman, Mr. Michael Edwardes. Both ranges offer the opportunity for Britain to remian a significant force in world markets.

Terry Dodsworth

MOTOR INDUSTRY TRADE BALANCE
(£m)

	1976	1977	% change
Cars			
Exports	633	752	+19
Imports	886	1,324	+50
Components			
Exports	1,345	1,640	+22
Imports	455	756	+66
Commercial vehicles			
Exports	548	653	+19
Imports	123	211	+72
Other motor products			
Exports	578	722	+25
Imports	110	164	+49
All motor products			
Exports	3,103	3,766	+21
Imports	1,574	2,455	+56
Net balance	1,529	1,311	−14

LEADING WORLD EXPORTERS
(000's units)

	Production	Exports	Export ratio %
Japan	8,514.5	4,352.8	51.1
France	4,005.7	2,267.3	56.6
West Germany	4,104.2	2,127.7	51.8
Italy	1,583.9	714.3	45.1
UK	1,714.2	666.7	38.9
U.S.	12,695.9	950.9	7.5

Source: National figures.

Electrical companies forced to look abroad

THE EXPORTING performance of electrical engineering companies is dominated by the turbine generator sector, which, in spite of its much publicised difficulties, is still a highly successful earner of foreign currency.

Indeed, if it were not, the industry would by now have disappeared because of the lack *of home orders. In recent years* the combined turnover of the two turbine generator companies, Parsons (subsidiary of Northern Engineering Industries) and the General Electrical Company (GEC) has been running at about £200m a year, of which about half has been exported.

The main difficulties arose because of over-ordering by the Central Electricity Generating Board in the 1960s, which led to a famine of orders in the 1970s. No new power station was ordered between 1973 and last year's ordering of the Drax B station near Selby, which was mainly a rescue operation for Parsons.

The dearth of home orders forced the companies to look for markets elsewhere. Parsons achieved a considerable slice of the world market during the first half of the present decade, with export orders for 10,500 MW or just over 8 per cent of the available world market (excluding competitors' home markets).

However, much of Parson's success was based on its partnership with Howden in Canada, which Howden announced recently it intends to terminate in favour of Parson's Swiss rival Brown Boveri. In the past year, Parson's performance in the export market has not been at all encouraging, partly, no doubt, because of the fierce competition from Swiss, Japanese, German and other manufacturers, which all suffer the same problem of over-capacity and a comparative falling off of domestic orders since the oil crisis.

During the period 1970 to 1975, when GEC was taking the lion's share of home orders (75 per cent or 9,120 MW), Parsons was able to keep its factory at Heaton, Newcastle-upon-Tyne at least moderately well loaded. Now the position is somewhat reversed, since Parsons has taken the only home order (for Drax) and GEC has shown superior export performance.

GEC estimates that it has taken 7,800 MW of export orders over the last three years, worth a total of £420m.

Although this is not sufficient to fill GEC's turbine generator factories, it is keeping them 75 to 80 per cent loaded, which is quite good by international standards in the present depressed state of the market for generating equipment. One of GEC's most important markets at present is Korea, where it has won several major contracts, and it is presently bidding for another power station there.

Target

GEC's exporting record over the last three years accords reasonably well with the minimum target set by the Central Policy Review Staff report on the industry. Its target (for the combined exports of both companies, or rather the exports of a proposed combined company) was 2,500 MW a year, which it said would need to be added to a home ordering programme of about 2,500 MW to produce an annual figure of 5,000 MW, considered to be the minimum for a viable turbine generator industry.

The ill-fated CPRS report, which angered or embarrassed almost everyone connected with the industry, has, manufacturers *claim, had a very bad effect* on their exporting prospects because it laid bare all the problems and deficiencies of the industry. As one manufacturer said: "You could not have devised a better piece of propaganda for our competitors, and there is *no* doubt that they have made use of it."

One of the main inhibiting factors for the UK manufacturers in world markets is the much discussed lack of an exportable nuclear power system. The British Advanced Gas Reactor is simply not saleable in most countries, while the decision to develop an all-British Steam Generating Heavy Water Reactor (SGHWR) cut manufacturers off from the development of the Pressure Water Reactor (PWR), which is now almost a world standard.

Therefore out of three categories of export orders currently available, British manufacturers can only tender for two. They can compete for orders for individual turbine generator sets or for turnkey fossil fuel systems, but they are cut off from the substantial number of turnkey nuclear systems which come up for tender.

A document prepared by the National Economic Development Office, which predates the CPRS report, estimated that the world market open to the UK between 1976 and 1981 would theoretically be 6,000 MW of conventional non-turnkey equipment, 4,000 MW of conventional turnkey stations and 7,000 MW of nuclear turnkey business. The lack of a nuclear system therefore cuts out about 40 per cent of the possible market.

From a historical perspective it is now clear that the extreme variations of home ordering ("feast and famine"), have had a most unfortunate effect on exporting. During the 1960s, when the CEGB's ordering reached almost panic proportions, manufacturers had little incentive to sell hard in export markets, because their factories were already overloaded. It is now clear that this was a crucial time when other manufacturers, particularly the Japanese, were beginning to increase their exporting ambitions and to build up a reputation with their customers.

The same picture is broadly true of switchgear, circuit breakers and transformers, which have all had to compete in export markets just when they have become most competitive.

In the decade between 1966 and 1976, for example, the transformer industry's turnover declined from £149m a year (1976 values) to only £76m in 1976. In the same period, however, exports rose from £13m to £28m. The volume of exports has more than doubled during the period, but more important, exports now account for over a third of the industry's turnover compared with less than 10 per cent a decade ago. This trend is likely to continue, because it is clear that the five remaining companies in the industry cannot all survive on the home market alone.

During the decade employment in the industry has fallen to less than half what it was and the number of companies fell from ten to five as a result of a series of mergers inspired by the Industrial Reorganisation Committee. The five remaining manufacturers are Parsons Peebles (subsidiary of Northern Engineering Industries), Hawker Siddeley, GEC, Ferranti and Bonar Long of Dundee, which has concentrated successfully on the smaller sizes. In spite of the lack of home orders in the last few years, most manufacturers, particularly GEC, have been investing quite heavily because they realise that the only way to stay in business is to keep well abreast of international standards of design and fabrication.

It has been questioned whether the present number of companies is still too many, since larger units with higher volumes of production would clearly have an advantage in the highly competitive world market.

The switchgear market has been governed by the same pressures. The largest of the UK manufacturers is GEC, which makes just about any kind of switchgear up to 765,000-volt circuit breakers. The other main companies including Reyrolle, NEI and Hawker Siddeley have, like GEC, been forced to exploit export possibilities as the home market has shrunk. UK manufacturers were on the whole rather slow to develop the newer type of (SF6) switches which were being developed elsewhere in the world. However, Reyrolle has benefited from a technical exchange agreement with the U.S. company Westinghouse, and GEC's range of SF6 gear is now gaining wide acceptance.

Competitive

In the field of electrical generators for standby power or a main source in a cut-off location, British manufacturers are doing well in the world market with about 80 per cent of its production exported and total sales of about 60,000 generator units a year.

However, sales of electrical motors overseas present a less happy picture, especially in the smaller range of sizes, where imports have a high penetration and the export markets are extremely competitive. Substantial over-capacity still exists through Europe, particularly in the large, highly automated factories in West Germany, France and Sweden. In spite of this, GEC has been investing quite heavily, with Government assistance, to streamline production and increase capacity. The twin aim is to beat back imports and to obtain a bigger share of export markets, particularly in the U.S, where the market is dominated by Westinghouse and General Electric. Some years ago they decided to squeeze the British right out, but the possibility of increasing sales in the U.S. now looks moderately encouraging.

Max Wilkinson

Battle

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in the degree of political backing from their governments the UK's competitors were in a far stronger position.

Whether or not those claims were justified at that time, they are hardly applicable now. In recent years the British Government has greatly increased its services to exporters. The facilities available through the Export Credits Guarantee Department, for example, have been extended and a variety of other forms of assistance is available. Government Ministers are much more willing than they used to be to lend their personal support to companies negotiating particular contracts.

While there may be some specific problems which need attention, British exporters are now probably as well served by the country's financial institutions and by Government departments as most of their overseas rivals. The Government, except perhaps in the arms trade, cannot win export orders. It is not Government support which explains the success in world markets of the French car makers, the German machine tool builders, or the Japanese consumer electronics companies; it is the excellence of their products. Britain, too, has its world leaders, but not enough of them. The Government cannot create them: what is can do is to create the economic conditions in which such companies ar elikely to grow and to prosper.

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Mechanical engineering: basis for expansion

BRITAIN has been exporting nearly £5bn worth of mechanical engineering products (excluding cars and lorries) and *this industry has a favourable* trade balance in the region of £2.5bn a year. As the third largest exporter of *non-electrical* machinery, the UK remains ahead of Japan and France but still well behind the leaders, the U.S. and West Germany.

A superficial glance at the bare statistics also shows that the UK appears to be suffering a decline in this important market. In individual sector after sector its share of world trade in percentage terms has been moving down. But this has as much to do with the industrialisation of developing countries as with any failure of the UK industry to keep up with changing trends.

It remains true that UK mechanical engineering has an underlying strength and a position in world markets which provide a basis for considerable development and expansion.

The manufacture of engineering products with high added value will remain for the foreseeable future the mainstay of the advanced industrial countries. In the UK it is one of the most important industries in terms of employment, investment and export and has therefore attracted a fair share of the attention being devoted to manufacturing industry by the Government's industrial strategy programme—a programme designed to improve Britain's export performance.

This cannot simply be a matter of encouraging British-owned businesses to smarten up, try new export markets and look for gaps in the home market that they might plug. For the North American multinationals have a tremendous influence on the trade performance of mechanical engineering as a whole.

Running neck and neck as the two biggest exporters within *the mechanical engineering* sector—and at the top of the table as net earners of overseas revenue—are the construction equipment and wheeled tractors industries.

In the last full year for which statistics are currently available, exports of tractors were worth £611.8m and the favourable trade balance was £472.1m. Construction equipment exports brought in £575m and the favourable balance was £359.1m. The statistics for the first three quarters of 1977 suggests that *last year these two industries* remained the major exporters within mechanical engineering.

And these two industries are dominated by the North American-owned companies. In tractors Massey-Ferguson, Ford, David Brown (a Tenneco subsidiary), International Harvester and so on are all well established in Britain. In fact, only John Deere of the major Americans does not have a manufacturing facility in the UK.

Similar

The picture is similar in construction equipment. Caterpillar, *biggest in the business*, and General Motors, can be added to the previous list and the National Economic Development Office estimates that the North Americans between them account for around half the sales of construction equipment in Britain and about 50 per cent of the exports.

The dependence of the mechanical engineering sector as a whole goes even deeper in that a number of British-owned manufacturers of machinery rely on American engines—or engines from companies like Perkins and Cummins which are American-owned—to power their equipment. In some *cases, such as fork-lift trucks,* the British equipment is designed around the American *power unit.*

All this means that any UK Government wishing to protect a large percentage of mechanical engineering exports must do its best to ensure that Britain remains an attractive place for the multinationals to locate manufacturing facilities.

U.K. TOP TEN

	Exports 1975 £m	Exports 1976 £m	Import 1975 £m	Import 1976 £m	Positive trade balance 1975 £m	Positive trade balance 1976 £m
Wheeled tractors	468.0	611.8	99.9	139.7	368.1	472.1
Construction equipment	470.8	575.0	161.0	215.9	309.8	359.1
Textile machinery	223.5	229.0	82.1	90.0	141.4	139.0
I/c engines and parts	130.7	137.4	36.8	27.4	93.9	110.0
Constructional steelwork	127.4	206.9	35.7	49.7	91.7	162.2
Valves	94.9	89.6	31.4	32.0	63.5	57.6
Furnaces and other plant	90.0	89.2	39.6	31.7	50.4	57.5
Forklift trucks	84.4	87.1	35.8	38.0	48.6	49.1
Machine tools	185.3	208.8	137.8	176.5	47.5	32.3
Pumps	105.2	149.6	59.2	81.7	46.0	67.9

Source: Department of Industry Business Monitor M10

The North Americans were first attracted to the UK by the availability of engineering skills of all kinds and the fact that the engineering industry in Britain has an infrastructure which can provide the variety of components required by what are basically assembly operations. *The fact that finance* was easy to come by and that the British spoke a familiar language also played a part.

There are no signs that the multinationals are looking less favourably on the UK as a manufacturing-assembly base. Within the past couple of years, for example, Caterpillar has set up a forklift truck plant at Leicester *designed to export* at least 75 per cent of its output.

It remains difficult to judge *the final impact of the activities* of the North Americans, however, because it is not easy *to get reasonable statistics* about the components they import to incorporate into their *machines.*

There are other important mechanical engineering exporters where the *American* influence is pronounced, particularly internal combustion engines, industrial trucks and machine tools.

Apart from North America, the main competition to the British mechanical engineering industry in world markets *comes from West Germany and*, increasingly in recent years, Japan. While more and more *mechanical engineering* businesses in Britain can claim to be exporting more than half *their output, many sectors of* the West German industry have been able to make this claim for many more years. Machine tools, pumps and compressors, textile machinery and steelworks *plant all fall into this* category in West Germany.

During those many years, the Germans have built up a reputation for quality and reliability, *for prompt delivery and* service, which has helped outweigh the heavy disadvantages *involved in having an over*-valued currency. It is not difficult to fifind many individual *examples of the Germans fail*ing to live up to their reputation. But these are always taken to be the exceptions which prove the rule.

West Germany is not without problems, of course. There are signs that the difficulties of *exporting from a German manu*facturing base are becoming more significant as the *Deutschemark persistently stays* among the world's stronger currencies. The Japanese represent a growing threat as much to the British as well as the Germans and North American groups.

Following its success with transport equipment like passenger cars and ships and in electronic products such as TV sets and calculators, Japan is putting more emphasis than before on mechanical engineering.

Already Komatsu is second-largest of the world's construction equipment makers. And the European bearings industry has been considerably shaken under the impact of Japanese groups. Two of them, NTN and NSK, have actually set up manufacturing/assembly operations in Germany and Britain respectively.

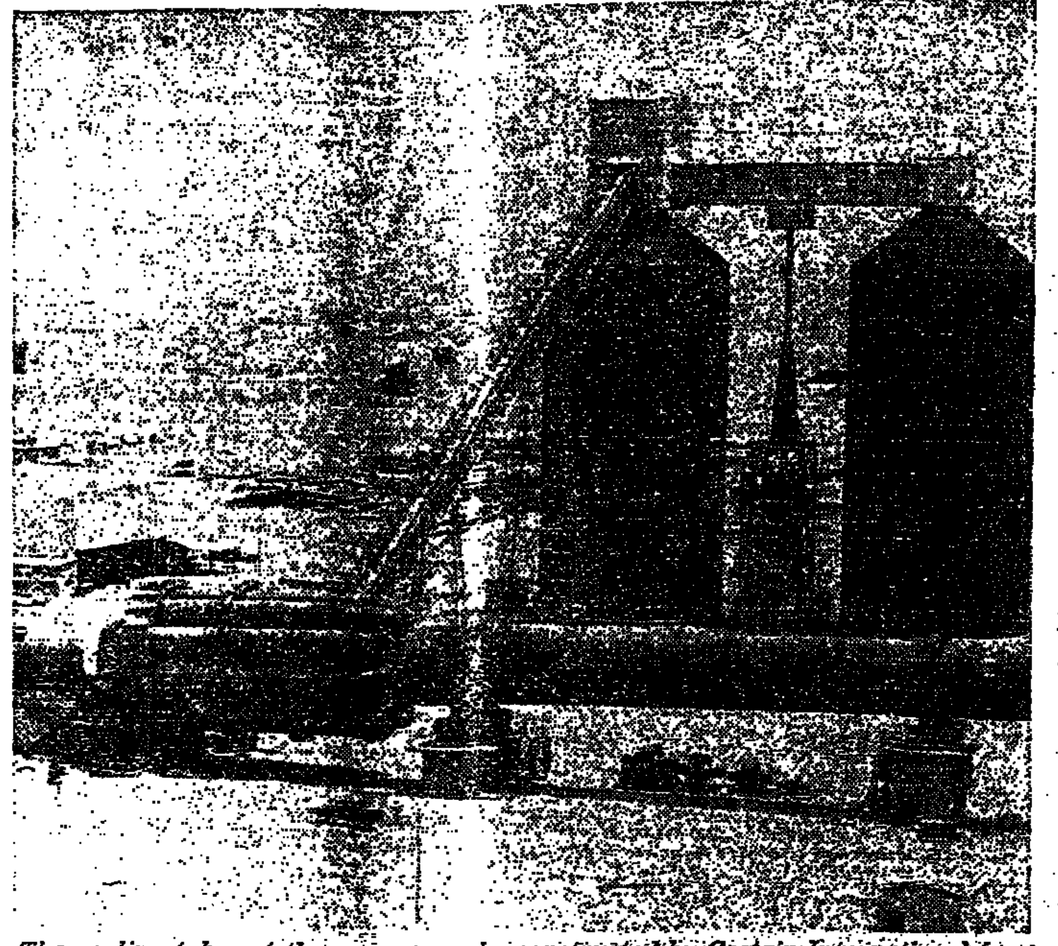
As well as gains by the Japanese, UK mechanical engineering can also expect to see its world market share under threat from the developing countries. Many of them are insisting on an element of local *manufacture* and assembly be incorporated in machinery sold to their home market. The North American companies in particular are in a position to comply with such requirements and will do so when the market offers potential.

For the immediate future UK mechanical engineering products *can look for buoyant de*mand in the U.S. but only modest growth in demand from *most European countries,* according to the recently-published short-term trends *survey by the mechanical* engineering "Little Neddy."

"Depressed levels of demand *in most industrial countries* are leading their mechanical engineering industries to step *up their export effort, often at* cut-throat prices. This applies particularly to Japan, but also the EEC countries.

"Against this background . . . we do not expect exports to provide any boost to orders on the UK mechanical engineering industry in 1978 and at best little in 1979," the report insists.

Kenneth Gooding



The cooling tubes at the cement works constructed by Costain International for the National Cement Company of Dubai.

Textiles: fighting the deficit

THE IMPORTS problem faced by the British textile industry has become familiar over recent years as a result of the strenuous efforts the industry has made to achieve greater protection in the face of fierce competition from low-cost sources. Much less is generally known, however, about the industry's export record.

In fact, particularly at the top end of the market where British clothing has long enjoyed a social cachet, Britain has always been a strong exporter. *Up until comparatively* recently, too, Britain's deficit in clothing imports was being *covered by exports of fibres,* yarns and fabrics.

Thus in 1972 Britain's fairly modest deficit of £7½m on clothing—the difference between exports of £144m and imports of £218.8m—was more than offset by the surplus of £123.7m on textiles.

The position since, however, has deteriorated and the new emphasis that has been placed recently on exports follows the rapid conversion of this balance into a very sizeable deficit, climbing each year up to 1976 when it reached £136m. Most of the deterioration was in clothing, where by 1976 a wide gap of £270m had opened up *between* imports into Britain, and exports.

Though tougher import controls have been introduced in response to this surge, the industry, with considerable goading from the Government and the various economic development committees covering textiles, has come to accept that there is a need for parallel action to improve the export record. The message preached to the industry has been that its effort must be concentrated to a much greater extent in Europe where Britain's lower labour costs should give it an advantage over Northern European competitors at least.

Warned

To succeed in sophisticated Western European *markets,* however, the industry has been warned, it will need to be able to offer good quality, well-designed and attractively priced textiles and clothing, and to deliver them on time.

The industry's response to these appeals can be gauged in part from the trade figures for last year. More than £100m was lopped off the clothing deficit, which in 1977 came to £168.6m. Clothing exports last year rose by 45 per cent in value and are now three times their 1973 level. Textile exports, too, at £1,358m last year are now almost double their 1973 value.

The industry's increased

CONTINUED ON NEXT PAGE

Electronics: squeezed into a corner

THE GOVERNMENT'S renewed *efforts to improve* Britain's share of the world semi-conductor market needs to be seen *against* a *fundamental anxiety* about the electronics industry including even those sections of it which are doing well.

Over the last 15 years, Britain has seen several markets in which it was an important world supplier slip into the hands of competitors, while new markets have emerged in which British manufacturers have failed to obtain a significant place.

The most important example of an area in which British suppliers have slipped from a position of eminence is telecommunications, where, largely because of Post Office ordering policies, British manufacturers failed to exploit the market for *computer controlled exchanges* which was left open for foreign competitors.

Before the 1960s the export market in telecommunications was relatively small because *many countries did not* have extensive telephone networks, but the UK was a major supplier, *particularly in the sterling area.* Now that the market in third world countries has grown *to some $4bn a year,* the UK has lost much of its market share to Japan, Sweden, Germany and the U.S. British exports in 1976 were only £117m compared with imports of telecommunications equipment of £68m.

The UK industry's hopes of carving out a better share of the telecommunications market must now be centred on the development of System X, the fully digital computer controlled system of exchanges, *which the Post* Office is developing in conjunction with the three manufac*turers, Plessey, the General* Electric Company and Standard Telephones and Cables, the ITT subsidiary.

In the past year it does seem that the Post Office is beginning to take a much more vigorous initiative over the marketing of British telecommunications equipment abroad. It appears, for example, to be taking much *more notice of manufacturers'* demands that specifications of equipment for the home market should *be drawn up in such a* way that they will be as adaptable as possible to exports.

The Post Office gave a lot of support to Plessey and Cable and Wireless in their consortium with Western Electric which unsuccessfully bid for the $3bn Saudi Arabian telecommunications contract. More recently, the Post Office, Cable and Wireless and Aeradio, the British Airways subsidiary, have *been involved* in talks about the setting up of a joint consultancy service to be called Britel, which would help promote exports.

Crucial

In the next few years, it is clear that the help given to British manufacturers by the Post Office will be a crucial factor in their success or otherwise in overseas markets. One reason for this is that the Post Office has necessarily assumed a much tighter managerial role in the development of System X. The main reason is that computer controlled exchange *systems* are so complicated that it would be impossibly wasteful to sponsor competitive develop*ments from* all the manufacturers. Consequently each of the three manufacturers will *not in the early years at least,* be making a complete range of equipment, but only that part *of the system which they were* responsible for developing.

It is clear, therefore, that the *Post Office will have to extend* its management role for the development of the system to its *overseas marketing in con*junction with the manufacturers. For one thing it would be *difficult, if not impossible* for the Post Office to support three competitive bids from UK companies for an overseas contract. The way in which overseas marketing will be conducted is still being actively discussed. The outcome of these discussions will have a crucial importance for the effectiveness of the UK manufac*turers in world markets of the* 1980s when, it is hoped, they will once again have a highly *competitive product.*

A rather more encouraging picture is presented in the fields of military electronics, avionics, and capital equipment like broadcasting equipment and radar. In these fields British manufacturers including Plessey, Marconi, Ferranti and Racal have shown up well in world markets.

Plessey and Marconi (GEC) have both won development contracts for the next generation of *U.S. tactical radios* (sincgars), which embody the highly sophisticated "frequency hopping" concept to avoid enemy jamming. Although these contracts were not in themselves very large, they are an encouraging sign that the "two way street" in military contracts between the U.S. and Britain is going to offer practical prospects to exporters.

Mackintosh Consultants estimate the total U.K. production of radar, navigational aids radio *communications* and public broadcasting equipment in the current year will be worth *£729m of which about £220m* worth will be exported.

In the defence field, the importance of public procurement policies can be seen from the success which Racal has built up in exporting military radios and communications equipment on the firm basis of Ministry of Defence contracts, for example for the Clansman mobile radio series which it developed jointly with Marconi and Plessey.

In most other areas of the electronics business, however, the U.K. is either a net importer or barely self-sufficient. *In the field of computers, for* example, in spite of International Computers Limited's (ICL's) excellent exporting record, total UK production in 1977 is estimated at £580m *compared with a total UK* market of £686m.

In control and instrumentation, the adverse balance of trade was relatively small, with UK production only £16m less than the total UK market of £440m.

However, the picture in consumer electronics is a good deal more gloomy, even though UK television manufacturers have managed to hold on to about 80 per cent of their own home market for colour television sets. Exports of colour television though steadily *increasing* are still at a very low level compared with total production. Last year the total UK market for consumer electronics was worth about £740m compared with production of only £397m.

In some relatively specialised areas, UK companies still had a respectable exporting position. For many years, BSR and Garrard (a *subsidiary* of Plessey) dominated the world market for record turntables with a large volume of exports to Japan and to the U.S. Last year £95m worth of turntable units were made in Britain, 80 per cent of them for export. Loudspeakers also produced small but healthy exports with a net favourable balance of trade of £6m last year.

However, in all parts of the consumer electronics market, UK producers are likely to come under sustained pressure from Japanese manufacturers both in the home and in export markets. Even the relatively low labour costs in the UK are not likely to compensate for the advantages of very high volume which Japanese manufacturers have now built up.

Underpinning all endeavours in the electronics field is the components industry, particu*larly the integrated circuit* and semi-conductor manufacturers. The very high degree of integra*tion now possible,* with up to 100,000 components on a single silicon chip measuring less than a *sixteenth of an inch* square means that manufacturers of systems and electronic products are likely to become more and more dependent on the integrated circuit producers. When the component makers can place a whole sub-system on a single chip, their industry will become of immense strategic importance to equipment manufacturers.

Toehold

At present the UK has only the smallest toehold in this huge and rapidly expanding world market with production of integrated circuits last year worth only about £50m. Although Plessey has made some useful exports to Europe and Ferranti has high hopes of the exportability of its new uncommitted logic array system, the UK is *heavily dependent on imports* which accounted last year for 40 per cent of the home market for *semi-conductors* and nearly 60 per cent of the home market for integrated circuits.

It is in this context that the National Enterprise Board's plans to set up a major semi-conductor operation with the help of some U.S. and British expatriate technologists is so interesting (GEC is talking to Fairchild in the U.S. about a similar plan). *It stems from the* realisation that in components, as in many other fields of electronics, the UK cannot be isolated from the world market. Manufacturers are increasingly going to find that they must compete aggressively at least in Europe and probably also in the U.S. or they will risk being squeezed further and further *into a corner* by large internationally minded competitors.

Max Wilkinson

Construction success

THE CONSTRUCTION industry, its suppliers and associated professions have in the 1970s been one of the UK's success stories in terms of overseas business.

It has not been a question of overnight success, however, and neither has every participant in the export drive necessarily been happy with the outcome. Many UK contractors have been operating abroad for 30 years or more and some have seen potential profits turned into weighty losses as local conditions and difficult clients have combined to thwart the best laid plans.

But the figures nevertheless underline the major strides which the sector has recently made in selling its expertise and its services abroad. Government figures show that the value of construction work won by contractors outside the UK was in 1971 running at around £300m.

In the year to March 1977—the last period for which statistics are available — the figure had risen to £1.7bn. In *the 12 month period ending this* March, the total value of work taken on by UK building and civil engineering companies is expected to have easily topped the £2bn mark.

Inflation

The considerable impact of inflation on these current price figures cannot be ignored, but the statistics themselves are not essential reading for any observer wishing to quantify just how well the sector has done in the international contracting field.

A profile of almost any of the large and medium-sized contracting operations will today show a growing commitment to overseas markets and a growing dependence on those areas for a rising proportion of *profits. Some contractors are* now relying on foreign contracts for up to 80 per cent of their turnover, a move which some people regard as reckless but which the contractors involved *say is essential in view of the* low level of domestic work.

The contractors are not alone. The material producers and suppliers are pushing overseas sales to compensate for the poor situation at home. Direct exports have been increasing but a greater proportion of the material producers' overseas efforts has been going into *investment in foreign-based* production units.

Apart from the material manufacturers, the professions too have been making a major contribution. Consulting engineers from the UK are now involved in contracts abroad worth a conservative £20bn and demand for their services is strong.

But fears have recently been *expressed that the past successes may now be giving rise* to that old British complaint—complacency. Competition for construction work and for contracts associated with it has *become far more intense in the* past two years as the eyes and efforts of the contracting fraternity have been centred on the developing nations.

Nowhere has that concentration of manpower, resources and selling skills been more evident than in the Middle East, where UK contractors have for the most part a well-established reputation for high standards in business ethics and workman*ship.*

At present around 60 per cent of capital expenditure in the Middle East is being spent on construction alone—a proportion unprecedented in the developing world—and competition between contractors, nearly all faced with recessions at home, is now more fierce than ever before.

The situation is good news to the governments of those nations involved—they are invariably the clients—which are now accustomed to driving hard bargains and to ensuring that all parties stick to them. Their approach has only been toughened by an awareness that certain contractors were attempting to take wildly excessive liberties when tendering for business.

The situation is not as rosy *for the contractors themselves,* who face what can be a long and extremely expensive fight to win work. Neither is there much they can do if competitors such as the South Koreans *care to step in and bid for con*tracts at up to 30 per cent below everyone else. In addition, local contractors are gaining in strength all the time and competition for smaller as well as larger contracts is intensifying.

That the British will have to fight to maintain their significant market shares there is no doubt. Aggressive salesmanship could be the keynote when all other factors are broadly comparable.

It is a debatable question whether in the market intelligence and information sphere the UK contractors are as well geared as some of their competitors. The Construction Exports Advisory Board was originally established by the Government to help introduce an element of strategic combined planning into the efforts of UK contractors in overseas markets. It was recently wound up, however, as Ministers apparently felt its work could be adequately carried on by other existing organisations, such as the Overseas Projects Group.

Reluctance

There is, without any doubt, an inherent reluctance on the part of most UK contractors to act in concert. Only the largest of the large contracts force them together into marriages of convenience, *whereas consortia on* a national and multi-national basis apparently find much greater acceptance among many of their competitors.

But it is not merely the attitude of the contractors themselves which can be decisive in the winning of business. To win work, the potential contractor has to know what is on offer and here the support of an intelligence system on the ground can be absolutely vital.

The diplomatic network is an obvious vehicle for the information-gathering process and it is fair to point out that in some respects it has been doing a good job for the UK building and civil engineering sector. Many commercial departments in UK embassies around the world devote endless energies to producing assessments of *market potential and in linking* up potential clients with contractors.

But it must be said that the record is a patchy one and that while some commercial depart*ments deserve plaudits others* require something stronger. It is not necessarily the fault of ground staff, who are faced with an immensely demanding task and yet can be left undermanned and with few resources.

The contractors themselves say they are aware that many of their competitors from other countries have their own construction expert within their embassies to help them out. All too often, the UK companies say, the commercial diplomats have little or no knowledge of their industry.

So it is really a matter of appreciation at the highest political level that individual "freelance" sorties on the part of contractors can be time-consuming and wasteful and that a co-ordinated approach to the work of winning business in difficult markets is invariably going to make the difference between a contract coming to the UK or going elsewhere.

Winning the contract is, of course, only half the battle. Many of the developing regions —notably Africa and the Middle East—present a formidable range of tough working conditions. The UK contractors have proved themselves sufficiently versatile to cope, both from a technical and a personal point of view.

There have been suggestions *that much of the work which* has been pouring out of the developing regions is now beginning to dry up. The expenditure figures themselves suggest, particularly among the oil producers, that spending is being cut back but there is no evidence to support the view that the Middle East boom in particular is over.

It may well be that the number of major infrastructure projects, involving multi-million pound contracts, will be declining in numbers as development work enters a new phase, but there will still be enormous volumes of business available in fields such as housing, urban development, leisure and recreation facilities.

For the major civil engineering contractors, nevertheless, an examination of new markets *beyond the oil-rich nations of* the Middle East is becoming a priority. Many of the UK civil engineers already have work further afield, notably in Asia and Australasia, although there *too competition* is apparently growing. In addition to increased participation in these areas, regions such as Latin America may also provide the contractors with important business.

Opportunities for work do exist, however, much closer to home. No one suggests that winning construction contracts in Europe is an easy job as most nations have well-developed contracting industries of their own, yet some UK companies have managed to notch up some significant successes—if perhaps more on the building than the civil engineering side.

Membership of the EEC should provide more chances for working outside as well as inside Europe. Under the Lomé Convention, British contractors will be eligible to compete for contracts in 46 countries, including developing States in Africa, the Caribbean and the Pacific.

Michael Cassell

Cabling being installed in a village in Oman as part of Hawker Siddeley Power Engineering's £17m contract.

Textiles

CONTINUED FROM PREVIOUS PAGE

efforts have been spread across *all its sectors, and significantly,* in several of these, exports last year were ahead of the target for the year laid down in the sector working party reports drawn up as part of *the Government's industrial* strategy.

Thus in wool textiles, where the industry maintains an export promotion body through a statutory levy, considerable progress has been made towards the objective of regaining the highest share of world trade held by the industry in the 1970s. Total exports by the sector, which has been pursuing *a policy of concentrating at the* medium to top end of the market for some years, reached nearly £400m. last year or roughly 40 per cent of output by value.

Seven of the top 12 markets supplied by the industry are fellow EEC members, with Germany heading the list last year with purchases totalling £41m. The other big markets are Japan, the U.S., Hong Kong and the Middle East. A significant part of the industry's success is accounted for by Scottish producers who raised their exports 40 per cent last year to more than £30m., with Germany again proving the biggest single buyer of Scottish tweeds.

In knitwear there has been a *similar major increase in* exports which last year totalled more than £230m. Much of the domestic market for cheaper items such as tee-shirts and synthetic fibre pullovers and *tops, has been lost to imports,* but the industry has tried to compensate for this by developing overseas sales for classic British knitwear in natural fibres. Some of the big producers—*based mainly in* Leicestershire and Nottinghamshire—have also been seeking to develop similar links with major Continental buying organisations to those they already have with the big British retail groups.

Efforts have also been made to persuade cotton and allied textile producers in Lancashire to try to escape from low cost competition from overseas yarn and fabric suppliers by developing products suitable for export markets. Though the bigger Lancashire groups have been exporting fabrics for apparel, household and industrial textile applications for some time, many of the smaller producers have not ventured overeseas. A series of export seminars has recently been organised by the British Textile Employers' Association in a bid to stimulate export activity.

But although, as the statistics on their own show, Britain's *textile and clothing industries* were able to achieve a major increase in exports in 1977, there are no grounds at all for any complacency. In the first place the performance though *good, still needs to be im*proved upon, yet even sustaining last year's earnings level is likely to be difficult.

There are a number of reasons for this. Margins in *textiles—even in the higher* added value products which the U.K. industry is seeking to sell —are very tight, and the industry is particularly vulnerable to currency changes.

The sector was benefitting much of last year from the fall in value in sterling in 1977. The rise in sterling at the end of 1977 had an immediate impact on the industry's sales overseas, however, as the results of the two biggest British groups, Courtaulds and Coats Paton indicate. Both companies have recently reported exports down in value in the last financial year.

The textile and clothing trade figures for the first three months of this year are similarly sobering. For the first time ever, textiles recorded a deficit—£23m—and this, added to the clothing deficit of £70.51m, produced a total loss on textile and clothing trade of £93m. The deterioration compared with last year was accounted for by lower clothing exports and higher textile and clothing imports. It will only become apparent as the year proceeds whether the import performance represents delivery in the first three months of a substantial part of the quota allowed to developing countries. If this is the case imports will slow down as the year proceeds. On the exports side, some recovery during the *rest of this year may also come* from the effective 7 per cent decline in sterling's value since 1977.

Threat

The other threat to the industry's export performance as this year unfolds, could come from a predicted upturn in consumer spending in the UK market. A *number of false* recoveries from the recession over the past two to three years has made the industry wary of predictions of an upturn, and reluctant as a result to commit itself to stocks. There have been warnings therefore, that the industry could yet find itself unprepared to meet higher demand later this year.

The performance of the UK textile and clothing industry has to be measured against what could be achieved. Though the clothing industry has doubled its export sales over the past three years, the report of its sector working party shows that Britain starts from a very low base indeed in the EEC market. In West Germany, the most important EEC market, the UK in 1975—the latest year for which figures were available—*supplied 2.5 per cent of all* imports. Comparable figures for other EEC countries' share of the German market were: Belgium 8.4 per cent, Netherlands 12.3 per cent, Italy 45.6 per cent and France 21.2 per cent. Figures produced by the knitwear sector show a similar low base for UK exports.

Nevertheless, the efforts of *the past year show that the UK industry has become much more* aware of the opportunities. The recent MFA also means that competition from low cost sources not only in Britain, but in potential export markets on the Continent has been reduced. The industry's export performance from now on will depend—to quote the ringing phrase of one speaker at a recent textiles conference—on whether this situation is used as a featherbed or as a springboard.

Rhys David

Aerospace: trusted role

THE UK AEROSPACE industry has always been highly export-orientated. As one of the spearhead industries in advanced technology, it imports a large quantity of high-cost raw materials, and by its skills converts these into finished products—aircraft (civil and military), guided weapons and space vehicles, as well as ancillary components and equipment—that it sells worldwide. In 1977 according to figures prepared by the Society of British Aerospace Companies from the Customs and Excise Returns, exports amounted to no less than £1,038m, a new record level that was virtually double the figure of close to £520m achieved barely four years ago in 1973.

While exports have steadily grown, so has Britain's own need to import aerospace products, especially aircraft of types which are not built in Britain, such as Boeing 747 Jumbo jets and other wide-bodied airliners such as the Lockheed TriStar and the McDonnel Douglas DC-10, while some other types of U.S. airliner, such as the Boeing 737 short-range jet, have proved popular with some independent UK airlines. Thus, imports of aerospace products of all kinds in 1977 amounted to close to £766m, but this still left a favourable balance of payments figure of some £272m.

For the first few months of this year, export shipments have continued at a high level, reaching over £270m for the first two months. These have been coupled with the inflow of some major new export orders, including one for radio communications equipment for civil aviation use from Libya, and for the continued development of the Royal Saudi Air Force.

While inevitably a substantial proportion of the industry's export performance is accounted for by the big British Aerospace nationalised group (comprising British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics, and Scottish Aviation), and by the State-owned Rolls-Royce and such other airframe companies as Short Brothers and Harland, and the independent Westland Aircraft group which includes both helicopters and Hovercraft, a major contribution comes from the ancillary and component manufacturers in a wide range of industries, particularly including electronics. Last year, for example, guided weapons contributed nearly £27m to the export figures, while instruments accounted for over £57m, airborne radio, navigation and radar aids over £13.5m, aircraft tyres some £3.55m, and items like flight simulators (ground-based "flying training aids") some £10.2m.

Orders

British Aerospace alone in 1977, out of total sales of £860m, achieved exports of £536m, or 62 per cent of total turnover. This compared with sales of £740m in 1976 (when the constituent companies of British Aerospace were still separate) of which exports accounted for £371m, or about 50 per cent. Over the past year, new contracts for defence support services for Saudi Arabia, for the Hawk trainer for Finland and for the Tornado multi-role combat aircraft have helped to raise the British Aerospace Aircraft Group's order book to more than £1.5bn, and in the civil sector, exports by the Aircraft Group in 1977 amounted to more than £150m. These included continued sales of HS-125 executive jets, and HS-748 feeder-liners. For the HS-125, the new Series 700 version attracted some 28 orders during the year, and the total value of new orders during that year, including one Series 600 aircraft, approached £45m. Total orders for the HS-125 now top 400 aircraft, most of them for export.

The One-Eleven jet airliner continues in production, again mostly for export, and a protocol for the manufacture of this airliner in Romania was signed some time ago, with discussions still in progress on the details of the deal. If this is finalised —and British Aerospace hopes that it will be soon—it could lead to the building of around 80 aircraft in Romania, thus considerably strengthening the continued One-Eleven production programme. At the same time, development of a One-Eleven Series 670 to meet specific Japanese requirements, and a One-Eleven Series 600, both equipped with a new silencer capable of bringing the aircraft within latest noise regulations, is being pushed ahead by British Aerospace.

Among other civil aircraft on which the British Aerospace Aircraft Group has relied extensively in recent years for export sales has been the Trident, the last 35 of which has now been delivered to China.

The group is also still heavily engaged on building wings for the A-300 European Airbus, and with orders and options for that aircraft now exceeding 100, and still growing, there is confidence that the Airbus will continue to provide a substantial volume of work for British Aerospace for years to come.

The British Aerospace Dynamics Group is also a major contributor to the nationalised industry's export performance. A highlight of 1977 was the successful conclusion of an agreement with the Arab Organisation for Industrialisation (AOI) covering the long-term production of the Swingfire anti-tank guided weapon system in Egypt. This agreement provides an important marketing base for further substantial sales of Swingfire in the Middle East. Other guided missiles continue to provide a solid export base for the group, including the Rapier anti-aircraft missile, currently in service not only with the UK armed forces but also several overseas customers. The Dynamics Group is also considering a number of new guided weapons ventures, in collaboration with overseas countries. For example, discussions on future anti-tank weapons have been held with Messerschmitt-Bolkow-Blohm of West Germany and Aérospatiale of France, with a view to agreeing a common system to meet the requirements of the British, German and French armies in the late 1980s and 1990s. In addition, a number of new air-to-ground, surface-to-air and surface-to-surface missile concepts remain under study.

In order to help its customers in the U.S., British Aerospace has recently opened, in conjunction with Rolls-Royce, a new multi-million dollar spares facility at Dulles Airport, Washington. Replacing an older facility at Arlington, Virginia, the new premises will support civil and military aircraft and engines in North America, built either by Britain itself, or American aircraft powered by British engines. Some 52,000 different types of spares, worth $21m, will be carried in the premises at any one time to support One-Elevens, Viscount turbo-props, HS-125 business jets, the Short Brothers SD-3-30 Commuter airliner and the products of over 150 other UK aerospace companies.

Rolls-Royce is also a major contributor to the UK aerospace export performance. In 1977, aero-engines accounted for no less than £432.6m worth of total exports, of which new engines were valued at more than £116m, "other than new" engines at £124.5m, and parts at over £191.7m. Among the new engines, the RB-211 programme predominates, with various versions of this "big thrust" power unit being sold to Lockheed and airlines worldwide for use in the TriStar airliner, and now also in the Boeing 747 Jumbo jet.

But as the figures show, there is a continued high volume of business in engines first developed some time ago, and turbo-prop engines like the Dart, the Tyne and the Proteus continue to make money, while some of the older jet engines, like the Avon, and the Olympus, are finding a new lease of life—and some excellent export business—in either land-based industrial, or marine (including warship propulsion) applications. Recently, the RB-211 itself has moved into this land-based arena, and while its aeronautical applications will continue to widen, Rolls-Royce's Industrial and Marine Division is hoping for big orders in the years ahead for this power unit in pipeline pumping and other duties.

Latest

New aviation versions of the RB-211 are coming forward, the latest being the Dash 535 engine of 33,000 lb thrust for use in the next generation of short-to-medium range jet airliners now being planned.

But while exports are the lifeblood of the aerospace industry, it is a fact that the peak figures for 1977 did contain a substantial volume of spares relating to aircraft and engines first designed and built up to 20 or even more years ago. This not only shows that a successful aircraft or engine can go on generating business for many years, which is the justification for being in aircraft manufacture in the first place, but also illustrates that the industry does need some new civil projects upon which to base its export business through the 1980s and 1990s.

At this time, a number of new ventures are under consideration, most of them on an internationally collaborative basis. In particular, much interest is being focused on the big markets that are expected in future in the short-to-medium range category of aircraft seating around 160 passengers a time. This market has been estimated to amount to more than 1,000 aircraft up to about 1990, and it is not surprising, therefore, that nearly all of the world's major manufacturers are anxious to get into it.

The UK Government is now considering proposals for collaboration put forward by Boeing of the U.S. on its 757 short- to medium-range jet: and possible participation with McDonnell Douglas on several ventures, including what is called the Advanced Technology Medium Range (ATMR) programme: while Lockheed of the U.S. is interested in possible UK participation in the development of new versions of its L-1011 TriStar. At the same time, there are ideas for collaboration with Western European manufacturers on a new B-10 version of the A-300 Airbus, to seat about 200 passengers, and on a series of "Joint European Transports" or JETS, variously seating between 130 to 160 passengers.

At this stage, no decisions on which way the UK Government wants the aerospace industry to go—either with the U.S. or Western Europe, or even perhaps attempting collaborative ventures with both—have been taken, but they are not expected to belong delayed, and may well emerge by the time the UK aerospace industry goes to the biennial Farnborough Air Show in September.

Farnborough, always regarded along with the Paris Air Show, as one of the greatest biennial air displays in the world, will be particularly important this year. Not only will it be the biggest yet held in this country, with no less than 418 aerospace companies from home and 17 overseas countries participating, but also it will be the first since the nationalisation of the aerospace industry was completed, while it may even be the venue at which major decisions on new international civil aircraft ventures will be either announced or otherwise exploited for the first time. Farnborough has always been the UK industry's shop-window. While, as the prices of aerospace products rise, and as aircraft themselves become more complex, it is not customary for orders for new airliners to be actually placed at the Show, many millions of pounds worth of orders for smaller items, such as components and equipment, are placed there, and the contacts established at Farnborough are often the forerunners of multi-million pound deals in aerospace worldwide involving the UK companies.

Michael Donne
Aerospace Correspondent

SOME LEADING BRITISH EXPORTERS

(The figures—£m—refer to the value of direct exports from the UK in each companies financial year.)

	1977	1976
British Petroleum	1,188	613
ICI	936	822
Ford	894	632
British Leyland	854	897
British Steel	623	448
British Aerospace	536	371
GEC	524	405
Royal Dutch Shell	440	187
Unilever	429	305
Courtaulds	405	285
Massey Ferguson	369	337
Hawker Siddeley	295	299
Rolls-Royce	285	235
IBM	264	240
Distillers	245	193
BICC	213	165
Vauxhall	195	186
Inco Europe	183	219
Chrysler U.K.	176	123
GKN	175	144
Philips	157	145
BAT Industries	154	113
Tube Investments	148	125
Dunlop Holdings	141	126
Lucas	140	112
Caterpillar	139	100
EMI	129	71
Conoco	122	117
Rank Xerox	117	91
Ciba Geigy	116	93
Glaxo	112	94
Texaco	112	115
Davy International	111	25
Johnson Matthey	110	98
Thorn	105	92
STC	104	95

More than 30 manufacturers achieved exports in excess of £100m last year and these companies combined are probably responsible for nearly a third of Britain's total exports. It is notable that 12 of the companies listed above are foreign-owned or controlled. The full list of the UK's hundred largest exporters will be published in the Financial Times next month.

Chemicals: signs of renewed strength

THE CHEMICAL industry makes one of the most notable contributions to the UK balance of payments of any sector of manufacturing industry. Despite this record of success, however, UK chemicals exports have suffered in common with most other goods over the last year from the depressed trading conditions in many of the world's major economies.

Last year the chemical industry accounted for about 10 per cent of the UK's total manufacturing output, with production worth some £13bn. About 34 per cent of the industry's external sales are exported and in 1977 this contributed some £1.4bn to the UK's balance of payments, about 25 per cent of the UK's total balance from manufacturing industry.

For much of 1978 chemicals exports have been erratic, but the latest figures are more encouraging and suggest that overseas sales are increasing again after the lull that began in the middle of last year. But the total for May this year at £343m was still £17m below last June's peak. According to figures produced by the Chemical Industries Association, the volume of exports, though subdued in the first quarter of 1978, has now recovered from the very poor period at the end of 1977. During the first five months of this year exports were up by some 4½ per cent on the average for 1977.

The Association's latest forecast suggests that exports this year could increase by 6 to 7 per cent in volume compared with 1977. But this rise is certain to be exceeded by the rate of chemicals imports, which so far this year have been running some 15 per cent higher in volume than in the same period of 1977.

Last year UK chemicals exports were worth a record £3.8bn and rose by 9 per cent in volume and 27 per cent in value compared with 1976. Throughout 1977 the UK market proved increasingly attractive to lower cost imports. The result was that imports rose at a faster rate than exports, increasing by 11.3 per cent in volume and by £471m in value to a total of £2.5bn.

UK chemicals trade is particularly sensitive to fluctuations in the value of the pound, and when sterling moved up sharply against the U.S. dollar at the end of 1977 it caused the industry considerable anxiety. The problems arose particularly in the area of bulk chemicals, where there is serious plant over-capacity in the UK and elsewhere in Europe. In the more specialised product areas the UK was not as badly affected, but in such sectors as plastics and petrochemicals Britain became an attractive market for continental producers striving to improve the loading of their plants. Producers throughout Western Europe have paid scant regard to price levels as they have scrambled after an increasing market share.

When sterling moved up from around $1.70 to as much as $1.93 it was equivalent to the erection of a trade barrier of 13 per cent against UK exports with an equivalent bonus favouring imports. Sir Rowland Wright, the former chairman of Imperial Chemical Industries, warned that when sterling was overvalued by as much as 10 per cent it had a very damaging effect on British industry's exports. In the long run it would undermine the ability and incentive to invest in new plants to supply overseas markets.

With sterling now back to levels around $1.83 the industry's concern over its lack of competitiveness has diminished. Imperial Chemical Industries, the UK's biggest single exporter is a case in point.

Upward

In common with all the major chemicals companies in Western Europe its profitability has been badly hit by the recession of the past 12 months and sales fell away dramatically in the second half of last year. But with the change in the value of sterling profits improved in the first three months compared with the end of last year, and exports returned to an upward trend. ICI exports from the UK were 4 per cent up on the last three months of 1977. But the recovery has a long way to go and at £207m the value of ICI exports was still 11 per cent below the level achieved in the first quarter of 1977. Nevertheless ICI has noticed a modest improvement this year in its trading performance in continental Western Europe and the UK.

The UK chemicals industry still has difficult months ahead in export markets and with world demand continuing in the doldrums chemicals export growth is going to be lower than expected, and certainly lower than last year. Because of increasing competition from various countries companies will have to work hard to increase their penetration of overseas markets.

The principal markets for British chemicals sales are now in the EEC, particularly the Netherlands, Belgium and Luxembourg, West Germany and France. These countries also supply a substantial part of chemicals imports to the UK, however, and Britain has always remained in deficit in its total chemicals trade with the other members of the European community.

Much of the industry's export growth last year was in fact outside Europe, and Nigeria emerged as the seventh largest single market with a value of £144m. Chemicals exports to the USSR climbed significantly to £126m, compared with £50m in 1976. Exports to the Middle East also climbed sharply, especially to Iran, Saudi Arabia and Kuwait. In 1976 North America, accounting for £295m, of British exports, was another major market. In that year Commonwealth countries represented £505m, worth of exports.

The major sector in terms of value of the chefical industry's export effort is represented by general industrial chemicals which are used either as intermediates or in such products as solvents, resins, dyes, plasticisers, paint, plastics or fibres.

Exports of organic chemicals were valued at nearly £705m in 1976, while there were exports of synthetic resins, plastics materials and synthetic rubber valued at £527m and of pharmaceuticals worth £424m. Exports of organic chemicals have grown in value in real terms by 71 per cent since 1970, while organic chemicals exports have more than doubled.

Pharmaceuticals is one of the most important export sectors of the chemicals industry and the overseas sales increased in 1977 by 22.6 per cent to £554m. Imports increased by 24.7 per cent to £173m and the balance of trade was up 21.5 per cent.

Drugs manufacturers have complained to the Government that their ability to increase their export earnings has been impaired by drug pricing policies. UK prices generally have slipped to the lower end of the world-wide range, they claim, which has led to pressure on manufacturers exporting from the UK to reduce their export prices, and hence the profitability of export sales. Present pricing policies could discourage companies from investing more to increase research and development in the U.K. and boost productive capacity, they say. The pharmaceuticals industry has nonetheless set itself the target of reaching a £500m trade surplus by 1980, but this goal is unlikely to be achieved, because of the general slowing down in world trade. From 1970 to 1975 the world drugs trade grew by about 20 per cent a year (at current prices) but some estimates for the five years to 1980 are now for an annual growth rate below 10 per cent.

Much of the impetus for improving the UK's share of world chemicals markets has come from the various sector working parties, established as part of the Government's industrial strategy exercise. These have tried to concentrate on particular market segments, to identify opportunities for increased exports and to encourage greater import substitution. The balance of visible trade in chemicals might have been consistently favourable, but the import bill is still substantial.

The discovery of North Sea oil and gas was heralded as a great opportunity for the chemicals industry, and this sector was identified as one of those best equipped to add higher value to the basic feedstocks. But the early hopes are still to be realised and many of the more ambitious plans have been quietly dropped.

Arising out of work carried out by the petrochemicals sector working party, the Government endorsed a policy urging the building of four new ethylene plan in the UK by 1985. Such aspirations have proved to be totally unrealistic because of the unexpectedly slow growth of both home and export markets. It is now unlikely that more than one cracker (ethylene plant) will be built by 1985—the £250m to £350m, 500,000 tonnes a year plant planned by Esso Chemicals for Mossmorran, Fife in Scotland. But the timing of even this project is open to much uncertainty.

Another major part of the industry's export strategy was to build up the penetration of EEC plastics markets, again founded on the increased capacity for base petrochemicals derived from North Sea feedstocks, such as ethane.

The aim is to bring UK trade with other EEC countries in plastics materials — such as PVC, polyethylene and polypropylene — into balance by 1990. Last year the deficit worsened to some £155m. One option now being studied is that of "European pre-emption," under which the UK would begin a rapid expansion of its plastics materials sector over the next few years, so that it could take a lion's share of the growth in EEC markets predicted for the 1980s. Such ideas have found little favour with the chemical companies, however, which argue that existing and proposed plants are more than sufficient to cope with extra demand until well into the 1980s. The industry expects to be living with serious overcapacity for some years ahead. It also objects to the suggestion that new plants should be built simply because of the sudden availability of feedstocks from the North Sea. Investment should be led by market opportunities, it argues.

Another sector where the UK chemical industry's performance has left something to be desired is that of specialised, high value organic chemicals. According to a report from the sector working party covering this branch of the industry, investment will have to be increased considerably over the next few years if it is to have any chance of balancing trade by the mid-1980s. This part of the industry has been neglected. "There are dangers of the UK's strong finished products exports being too dependent on West Germany and Switzerland for a very wide range of the intermediates used to make them," the sector working party report argued.

Attractive

The UK has proved an attractive base for investment by overseas chemicals companies especially in areas such as pharmaceuticals. But UK owned companies are coming under increasing attack from the trades unions for investing too heavily overseas. The most notable recent example has been ICI's decision to spend £200m developing the first phase of a new petrochemicals complex in northern Germany. Some union leaders have argued that such investment runs contrary to the spirit of the industrial strategy. ICI, in common with other companies, has replied that these investments also lead to greater exports from the UK. Market positions overseas cannot be built up without local manufacture, it argues. Back at the beginning of the 1960s, ICI had sales in Europe of only £35m. Since then, however, it has developed several manufacturing sites on the Continent and by last year sales in Continental Europe had increased to £800m. Overseas investment is certain to continue at a high level, but the chemicals industry argues that this will help rather than hinder exports from the UK.

Kevin Done
Chemicals Correspondent

During the past 20 years the geographical pattern of the UK's export business has altered very significantly. Western Europe now takes over half the country's export sales, compared with about a third in 1960.

The major markets

THE CLOSER INTEGRATION of the UK's export business with our European neighbours was greatly stimulated by the EFTA agreement and later by *full membership* of the European Economic Community.

In the early 70s, faced with the prospect of a huge tariff-free market across the Channel and keener competition within the UK itself, many British companies invested in new marketing and distribution arrangements on the Continent. Often this involved the formation of local sales companies, the acquisition or establishment of manufacturing facilities to support direct exports and, most difficult of all, the re-design of products to suit Continental requirements.

Have the opportunities been exploited as fully as they should have been? In those products where UK companies have a distinct technological edge, like diesel engines and some segments of the automative component business, the European market has provided a new source of dynamic growth. In parts of the textile industry some companies have been able to combine the UK's advantage of relatively cheap labour with economies of scale in production, thus increasing their share of the European market.

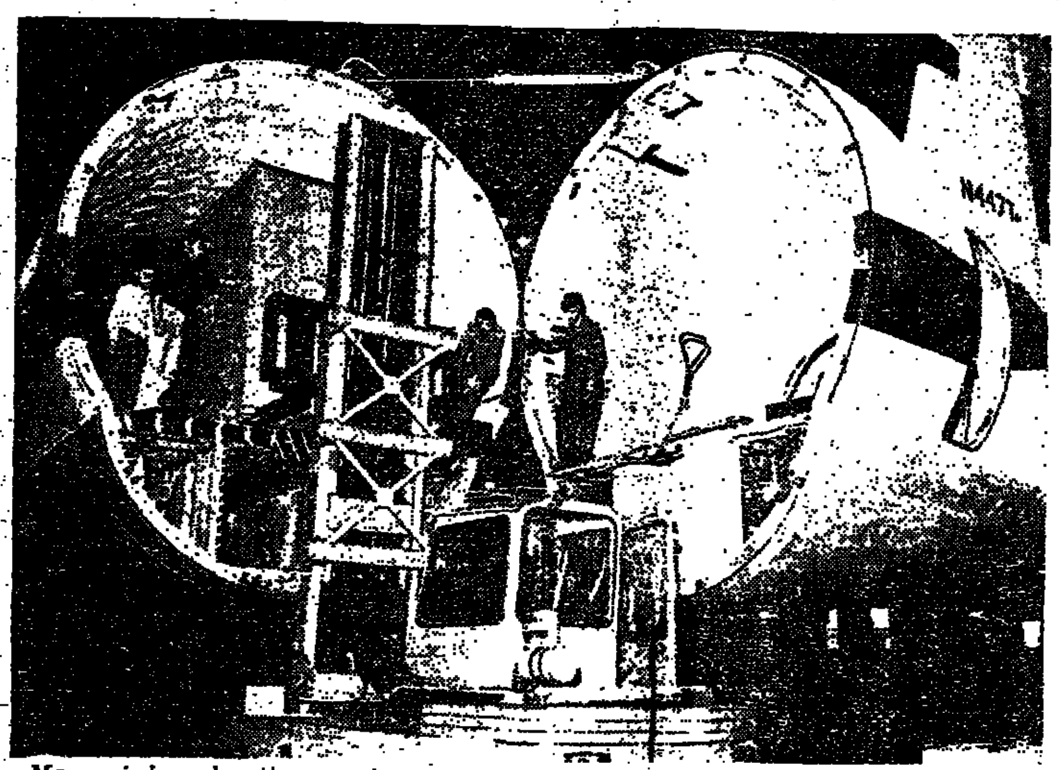
A growing number of manufacturers, of which ICI is a notable example, have been developing a European marketing strategy, with the UK plants forming part of a co-ordinated supply network; in ICI's case this has *been accompanied* by a very considerable increase in direct exports from the UK.

Western Europe now takes *over half the country's overseas* sales, compared with about a third in 1960, yet there is a long way to go. There are still too many sectors, such as cars and domestic appliances, where imports from the Continent far exceed British exports. The UK's share of the total EEC market remains too low. For example, of France's total imports of manufactured goods, the UK supplies less than 7 per cent., compared with West *Germany's 29 per cent share* and Italy's 13 per cent. The UK supplies only 5 per cent of West Germany's imports of manufactured goods, compared with France's 16 per cent share and Italy's 12 per cent.

It is true that these countries have had a longer period in which to adjust to the lowering of tariff barriers within the EEC; moreover, their manufacturers were not as committed to other, very different markets (particularly in the Commonwealth) as their counterparts in the UK. But the performance of British industry in Continental markets continues to be disappointing.

Perhaps, the British penetration of European markets was interrupted to some extent by the emergence, particularly after 1973, of the oil-producing countries *as a lucrative new* market, *apparently* easier to exploit than, say, West Germany or France. Last year, the oil-exporting countries took 13 per cent of the UK's total exports, compared with 6 per cent in 1970, and it is not always appreciated just how important these countries have become to individual sectors of British industry.

Saudi Arabia, for example, was the biggest market for British fork-lift trucks in 1977. The three leading customers for electrical power machinery were Nigeria, Iran and Saudi Arabia. Nigeria was easily the largest purchaser of British lorries and trucks. In cars, the second largest market after the U.S. was Iran, though this is mainly the result of Chrysler's contract with that country's principal car producer. The UK is the fourth largest supplier to the OPEC countries, *just ahead of France but well* behind the U.S., Japan and West Germany.



Marconi broadcasting equipment—part of a £1.5m order from the Nigerian Broadcasting Corporation—being air freighted to Nigeria.

Buoyancy

It may be that the buoyancy of the OPEC market, though *now beginning to slacken*, has revived the interest of British exporters in other developing countries. The more advanced nations of Latin America and the ASEAN group in South-East Asia, which had been neglected for a good many years, appear to be attracting more attention from British exporters. British contracting *skills, allied to the ingenuity* of the City of London in working out financial packages to suit the customer, have proved to be highly competitive.

While the very large contract may receive a disproportionate amount of publicity — most export selling is a more routine, unglamorous affair—the spin-off effect of such orders, both in direct sales for other British manufacturers and in putting Britain on the map in the country concerned, can be important. Since Davy International won the Acominas steel contract in Brazil, for example, there has been a steady stream of orders placed in the UK for related equipment.

The same company is leading an international consortium which hopes to win one of the *main contracts for the Zulia* steelworks project in Venezuela; if Davy is successful, this should again lead to substantial hardware orders for the UK. GEC's power station order in Hong Kong, one of the first turnkey jobs of this kind won by the UK for several years, will bring useful work for a sector which has had to contend with a stagnant home market and intense competition overseas.

Another set of markets where *the willingness to undertake* lareg and complex engineering projects is important is the Comecon countries. For some years the UK has been less successful in these markets than our Continental rivals. In 1976, for instance, the last year *for which detailed figures are* available, the UK accounted for only 4 per cent of total OECD exports to the centrally planned economies, compared with 7 per cent for Italy, 10 per cent for France and 22 per cent for West Germany. But here, too, there are some indications of a change in attitude.

Massey Ferguson's contract *to re-equip the Polish tractor* industry has brought in its wake a considerable inflow of business for British manufacturers of machine tools and other engineering products. Davy International's £147m order for two methanol plants in the Soviet Union was the largest single contract in the history of Anglo-Soviet trade. More recently, the agreement between the Romanian Government and British Aerospace for the manufacture under licence of the BAC-111 should bring valuable orders for suppliers of equipment to the aircraft industry.

The financing of these projects is crucial and in many cases there is also a requirement for the supplier to buy back part of the production of the new plant. It was *apparently its greater flexibility* on this point which enabled Citroen, rather than GKN, to win the recent East German contract to build a plant for *making front-wheel-drive transmission systems*. Both the financial and trading implications of these deals often necessitate the formation of international consortia, with formal or informal backing from the governments of the supplying companies.

Above all, these contracts require a commitment of management and engineering resources which few individual companies can spare. Yet it is precisely this commitment which the recipient country is most anxious to have. There is no doubt that companies like Volkswagen and Mercedes Benz have gained considerably from their decision to invest in manufacturing plants in Brazil when that country was at a much earlier stage of industrialisation and from their willingness to persist with the investment through the ups and downs of the economy; few British companies were prepared to take the risk. Without a willingness to invest in some of the newly *industrialising countries there* is a danger that the markets will be lost; British Leyland's truck factory in Nigeria is one example of the kind of *investment which is necessary*.

Yet however successful British companies may be in the developing world, in the oil-exporting countries and in Comecon, these three markets are unlikely to account for much more than the present 30 per cent of total British exports. Equally, although the U.S. is still the UK's largest single market, its share of total British exports has tended to decline in recent years: given the strength of the competition, especially from Japan, it would be surprising if that trend were reversed.

The crucial battleground for most British exporters is Europe. The aim must be to obtain at least as big a share of Continental markets as Continental suppliers have achieved in the UK. What is needed is a revival of the enthusiasm which accompanied the UK's accession to the EEC. For if British industry cannot compete in its "home market" of Western Europe, there is little *chance of making up the last* ground in the rest of the world.

Geoffrey Owen

TOP 20 EXPORT MARKETS IN 1977

		£m	% of total UK exports in 1977	1967
1	U.S.	3,087	9.4	12.2
2	West Germany	2,501	7.6	5.3
3	France	2,148	6.5	4.2
4	Netherlands	2,139	6.5	3.9
5	Benelux	1,837	5.6	3.6
6	Irish Republic	1,640	5.0	3.8
7	Switzerland	1,421	4.3	2.4
8	Sweden	1,197	3.6	4.3
9	Nigeria	1,069	3.2	1.1
10	Italy	978	3.0	3.0
11	Denmark	797	2.4	2.8
12	Norway	762	2.3	2.5
13	Australia	761	2.3	4.9
14	Canada	713	2.2	4.2
15	Iran	655	2.0	0.8
16	South Africa	581	1.8	5.0
17	Saudi Arabia	577	1.8	0.3
18	Japan	469	1.4	1.7
19	Spain	465	1.4	1.8
20	Soviet Union	347	1.1	1.2

Source: Department of Trade.

DISTRIBUTION OF UK EXPORTS BY AREA

(per cent)

	1960	1970	1977
Western Europe	34	46	53
(EEC 8)	(22)	(29)	(36)
North America	16	15	12
Other developed	15	12	6
Oil exporting	7	6	13
Other developing	25	17	13
Centrally planned economies	3	4	3
	100	100	100

Source: Department of Trade.

The relative share of invisible earnings in the UK current account is significantly higher than the average for other industrialised countries. But there are indications that there may be a decline from the peak level of 1976.

Invisible earnings

BRITAIN'S EARNINGS from *invisible trade have made a* major contribution to the UK's current account in the last few years, offsetting a sizeable part of the large deficit on visible trade. But there are now clear *indications* that the *surplus is* on a declining trend from the peak level of 1976.

The picture, as with the rest of the balance of payments, is complicated by North Sea oil activities, the growing profits due abroad from rising oil production are likely to mask a continuing expansion in earnings from services.

The overall significance of invisibles is shown by the fact that receipts from the three main categories — services; interest, profits and dividends and transfers — amounted to 33 per cent of total current account receipts last year. Invisible payments were equivalent to 29½ per cent of total current account payments. But this represents a decline from the peak figures of the early 1970s when the percentages *were 41 and 33 per cent* respectively.

Receipts

The relative share of invisible earnings in the UK current account is significantly higher than the average for other industrialised countries. In 1976—the last year for which comprehensive figures are available—invisible receipts were 34 per cent of total current account credits in the UK, compared with just under 33 per cent in the U.S. There was a range of between 18 and 27 per cent for other major countries in the area of the Organisation for Economic Co-operation and Development. There is less difference for invisible payments where the UK percentage *was fractionally less than* that of West Germany and Japan but higher than the U.S.

These differences are reflected in the fact that West Germany has a net deficit on invisibles while the UK has the largest net invisible surplus after the U.S. While the percentage importance of invisible trade in the UK has declined since the early 1970s, the absolute surplus has increased because credits from services have grown more rapidly than transfer debits.

The surplus on invisible trade *grew from about £800m in 1972* to a peak of £2.65bn in 1976, when there was a visible deficit *of £3.51bn. However, the surplus fell back to £1.77bn last year.* The main reason for this decline in the net surplus was a drop in the net contribution from interest, profits and dividends and a larger deficit on transfers.

There has, however, been a steady growth in the surplus on services, which account for around two-thirds of total invisible earnings. The net surplus rose from £540m in 1972 to £2.57bn last year, significantly aided by the fall in the value of sterling.

The most striking feature has been the rapid growth in earnings from travel. *A combination of the squeeze on real* incomes and the fall in the value of the pound has cut the number of UK residents travelling abroad, while the number of *tourists coming to the UK has* jumped up sharply. Moreover, overseas visitors have, according to the most recent estimate, been spending nearly twice as much a day in Britain as UK *residents* have been spending abroad.

The result has been a rise in the net surplus on travel from £20m in 1972 to just over £1bn last year. However, the period of rapid growth appears to be over and the surplus has shown signs of levelling-off in the last six months and may decline this year. This is partly because of movements in sterling but mainly because visits abroad are likely to rise following the recovery in real incomes in the UK.

Surpluses on the other main invisible items have also expanded steadily in the last few years—in particular, aviation has benefited from the tourist boom. In addition, earnings from the City's financial services also grew steadily up to 1976 with insurance and banking featuring strongly. Earnings from construction work have also risen sharply in the last two years, notably as a result of the greatly increased workload *in oil-producing countries*.

There has been greater volatility, however, in earnings from commodity broking and the Baltic Exchange in line with the ups-and-downs of these markets. *This is also reflected in* the shipping account—the biggest single item in services—where a traditional surplus on dry cargo shipping has been offset by a deficit on tankers.

In contrast with the growth in earnings from services as a *whole, the contribution from* interest, profits and dividends has fluctuated sharply—up from a net surplus of £534m in 1972 to a peak of £1.52bn in 1976, but down to £405m last year. The rise *was partly the result* of an increase in earnings from direct investment abroad (including profits retained overseas as well as remitted) as a result of the decline in sterling in 1975-76 and the pick-up in activity and profits in many industrial countries in that period from the deep 1974-75 recession.

Variations

Earnings from abroad on export credit and on lending by UK banks have also increased since the early 1970s, for similar reasons, while there has been a smaller rate of increase in debits. Variations in interest payments have been associated with the changing level of sterling balances.

The decline in the net surplus on this category last year reflected the build-up of around £450m in profits due to overseas oil companies. The slow rate of economic growth coupled with the appreciation of sterling also reduced profits earned *overseas* and there was a rise in interest payments abroad following the increase in public sector borrowings.

The deficit on transfers was fairly stable at between £400m and £500m but rose sharply to £861m in 1976 and to £1.2bn in 1977. This was principally the result of higher payments to the EEC and some increase in overseas aid. An exceptional increase in payments to the EEC—due to be partially offset by rebates later in the year—was wholly responsible for a decline in the seasonally adjusted net invisibles surplus *from £441m to £269m* between the fourth quarter of 1977 and the first three months of this year.

The overall outlook from now onwards will be dominated by the North Sea. *It is difficult to* make an exact assessment but Treasury estimates last year projected a rise in the invisibles deficit on North Sea oil operations from £900m last year (at 1976 prices) to £1.5bn in 1980. The deficit is clearly likely to be greater in current prices.

The Bank of England concluded that, "although the North Sea programme is the major foreseeable influence on *invisible* earnings for the next few years, it may to some extent be counter-balanced by improvements elsewhere in the account. In particular, earnings *from services may continue to increase faster than payments*. Such increases will, however, have to be very large if the net surplus on invisbles is not to decline."

The short-term prospects are not entirely clear because *of* the offsetting influences. The most recent survey by the National Insitute, for example, projects only a slight decline in the surplus this year to £1.65bn, against the revised estimate for last year of £1.77bn, with *a rise to £1.9bn projected*. In contrast, a special review of the prospects earlier this year from stockbrokers Wood Mackenzie projected *a fall in* the *invisibles surplus to £700m*. Brokers Phillips and Drew are projecting a similar total for 1978 with a surplus of only £1bn next year.

Within this overall picture, *the prospects for services* appear to be reasonably encouraging. At the end of last month the Committee on Invisible Exports published its seventh annual survey of the prospects carried out by the Economists Advisory Group. This projected a rise of around 9 per cent in 1978 in the overseas earnings of the major service industries with rather more than half the rise reflecting a higher volume of business. This is estimated on the basis of gross invisible earnings minus overseas expenditure.

The airlines expected the biggest rise in 1978 as a result of a recovery of traffic lost through industrial disputes in 1977, favourable currency movements and higher traffic.

In the City, both insurance companies and brokers were optimistic though a fall in earnings was expected at Lloyd's because of the impact of competition on premium rates and of inflation on claims costs.

Among the other features of the survey were a fair degree of optimism from consulting engineers and export houses though caution from the shipping industry, the Stock Exchange and *commodity* dealers who all expected earnings to remain close to, or even a little below, the 1977 level.

Peter Riddell

Financial arrangements play an increasingly important role in export trade—particularly where the really big contracts are involved or when the buyer country belongs to the developing world. For Britain the banks function as the major source, underpinned by the Export Credits Guarantee Department.

Merchant banks as entrepreneurs

THE FINANCIAL package which capital plant exporters can offer the overseas buyer is now as crucial as quality and delivery times in winning contracts. In an increasing number of deals it is the decisive factor which clinches the order.

In financially stretched developing countries the availability of credit is frequently the buyer's first priority. In the more sophisticated countries, where availability of credit presents no problem in itself, the quality of the financial package becomes all important. As a result UK contractors are leaning more and more on the merchant banks.

But the expertise of the merchant bankers goes far beyond devising the financial package. Often they, more than the exporter, are the entrepreneurs who bring new contracts to Britain. In many ways the merchant banks fulfil the role played by governments and the big banks in other countries such as France, Germany and Japan—seeking out export opportunities, identifying projects in which British companies could participate and then advising the exporter throughout the negotiations.

With their often extensive local presence in, or knowledge of, particular countries, they can provide an invaluable service to the exporter entering the market for the first time. They are able to advise on the political and commercial conditions in the buyer's country, directing the contractor to the right people at the right time.

Taking this further in difficult markets such as Eastern Europe where Morgan Grenfell, who with Lazards are the most active of the pure merchant banks in the export finance field, has operated for some time the bank is even able to advise and assist contractors in negotiating their commercial contracts. The conditions of the contracts are usually quite different from those which the contractor may be used to. The same is true for markets such as the Middle East and North Africa as well as Latin America.

The expertise which the merchant bank is able to provide can be vital to the contractor right through from planning his sales strategy to negotiating the fine print of his contract. The usual problem is that the contractor does not involve his bank early enough. This is because traditionally they have turned to banks only when the contract is at an advanced stage of negotiation and often only when it has been awarded.

This is still very much the case as far as the clearing banks are concerned with the exception of Lloyds Bank which has the advantage of an in-house merchant bank in Lloyd's Bank International. The clearers, particularly when all export credits were financed in sterling, have tended to be regarded—and regarded themselves—as simply the provider of funds. More recently they have been attempting to encourage exporters to make better use of their extensive information and advisory facilities.

Winning

But traditionally, and by the very nature of their business, it is the merchant banks who have been the most active in fostering a close relationship with exporters. This has developed to the extent that for many of the major deals the contractor and merchant bank have worked together throughout the negotiations.

Examples of how such partnerships have proved to be an essential element in winning major contracts for Britain include Morgan Grenfell advising Davy Ashmore for the £200m Acominas steel project in Brazil, Morgan Grenfell again with a Davy company—Davy Powergas—for the £147m Soviet methanol contract, which broke new ground in getting the Soviets to accept foreign currency finance, Schroeders and GEC for the £100m Hong Kong power contract, which involved the largest ever export credit of $390m, Lazards and Metro Cammell for the £25m Hong Kong mass transit railcars order, which marked the first-ever buyer credit to be financed in HK dollars and involved extremely complicated financing arrangements. Lazards were also involved in the initial stages of the GEC power contract as advisers to the Department of Industry.

Despite these successes the merchant banks still have difficulty in convincing the medium-sized British exporter of the necessity for getting together with his bank at the onset of negotiations. If the banker is only brought in at the stage where funds are actually required it will be too late for him to extricate the exporter from unfavourable and sometimes disastrous financial commitments or even contractual conditions which often exporters are surprisingly inexperienced at handling. If consulted early enough the banker can even steer an exporter away from undesirable markets or projects through his local knowledge.

But valuable though these services may be the prime role of the merchant bank is arranging the finance. With the switch of buyer credits to foreign currency the merchant bank's involvement in export contracts is more important than ever. Most contractors find the whole business of foreign currency financing extremely complicated. Added to which they are often unaware of the advantages of being able to quote in different currencies—a flexibility which is not generally available to their competitors.

Many buyers prefer the financing to be in U.S. dollars, often because their own currencies are linked to the dollar. Others still insist on sterling, which is now possible for small to medium sized deals. A few buyers request that the financing be in their own currency because they want to match the currency of their borrowings with that of their revenue. This is now possible in Hong Kong, Singapore and Malaysian dollars for instance.

In some circumstances it may be to the exporters' advantage to quote in a relatively weak currency such as sterling or U.S. dollars. In others, quoting in a strong currency as D-marks or Swiss Francs can allow the contractor to make a substantial price discount by selling the currency forward during the construction period.

Being able to quote in the same currency as a major competitor is also advantageous. All too often the buyer in assessing bids in different currencies does so on a spot basis, taking no account of the relative strength or weakness of the currencies on the forward market. By converting his bid to the same currency the UK contractor should on the one hand be able to offer a price which will be lower in the foreign currency than his sterling price while the buyer will be comparing like with like.

Selecting the appropriate currency for a particular project is thus a complicated business requiring sophisticated financial expertise. This is very much the kind of decision which the merchant banker can either undertake for the contractor or at least give guidance on.

He can also help the contractor who has taken on foreign exchange commitments by dealing forward to minimise potential risks resulting from delays in delivery times. Other potential pitfalls can occur where a cost escalation provision in the contract means that the exporter has to estimate the amount which he can deal forward.

Problems arising from termination of the contract by the buyer and fluctuations in currencies during the tender to contract period are both covered by ECGD schemes, though sometimes exporters need advice on making the best use of these schemes.

Package

In putting together a financial package for exporters the merchant banks are being called upon more and more to provide 100 per cent financing. The more usual combination over the past two to three years has been export credits and Euromarket loans, but can involve these two in combination with bond issues, local currency financing, equity and World Bank loans.

Multinational financing is also becoming increasingly common as projects become so large that individual countries are unable to supply the full credit requirement and the work is put out to subcontractors or subsidiaries in other countries.

For the banks project finance is very much a high risk business in which, like the contractor, they may spend large amounts of time and money on projects which may in the end be cancelled or on contracts which are eventually lost. The success ratio on average is one in 10 or 15. But it is also a business of high rewards.

In an increasingly competitive world particularly now that the UK export credit business has been opened up to foreign banks, their expertise and inventiveness will inevitably be put to the test. But this can only be to the advantage of the exporter.

It was the merchant banks, after all, which devised the foreign currency scheme for buyer credits which has now been adopted as Government policy. They are now preparing for the day when contracts in many of the OPEC countries will be conducted more often on a barter basis — either involving oil or, as these countries become industrialised, as a means of finding markets for their manufactured products.

Morgan Grenfell has meanwhile added leasing to the range of financial options which its clients can offer. This has already been used for exports of capital equipment in the £2m range such as cranes to the Soviet Union and Hungary.

What the UK merchant banks offer the exporter essentially is a compact, integrated team of experts in project finance with as much interest as the contractors in winning export business for Britain. It is as much their life blood as it is the exporter's. This is a reputation which they can be expected to fight hard to retain in the face of the threatened competition from foreign banks.

Margaret Hughes

Tapping the Euromarkets

UNTIL 1977 London's large foreign banking community had been virtually excluded from providing ECGD backed export finance. Consequently, the Chancellor of the Exchequer's statement in December 1976 announcing the switching of a large part of the Government backed buyer credits onto a foreign currency basis was greeted warmly by the foreign banks. At last it looked as if they would be allowed to break into what had up until then been the cosy and profitable preserve of the UK clearing and merchant banks.

Although a few foreign banks have been operating in the City for over 100 years the real growth in numbers started in the 1960s and paralleled the growth in the London-based Eurodollar market. Over the last decade the number of foreign banks represented either directly or indirectly through a consortium bank in the City has more than trebled. According to *The Banker*, there were 285 foreign banks represented directly in the City and another 73 indirectly giving a grand total of 358 at the end of last year. Since then the numbers have grown further and roughly twice as many foreign banks are now represented in London as in any other major financial centre. Indeed, more American banks are to be found in London than in New York.

The bulk of the business of the foreign banks lies in the Eurocurrency markets. Out of total UK foreign currency deposits of £128bn in May 1978, the foreign banks (including the consortium banks) account for £103.5bn. U.S. banks with £44.1bn are far and away the most important, followed by the Japanese banks with £16.2bn. To put these figures in perspective the UK clearing banks' foreign currency deposits amount to just £5.9bn. The foreign banks do operate locally and control around a fifth of all UK sterling deposits but it is on the foreign currency side where they put their main emphasis.

Margins on international business have been under pressure for some time and foreign banks have been searching around for ways of boosting their profitability. Inevitably they have been turning their eye to the domestic market. Some of the big U.S. banks have been cultivating UK corporate customers but they have been at a disadvantage because they could not offer the full range of ECGD credit facilities, as could a clearing bank.

The opportunity to break into the UK export finance market following the switch to foreign currency financing was clearly not going to be missed. Apart from the fact that this sort of business offered attractive margins and fat commissions, above all it gave foreign banks a chance to build up their corporate relationships. If they could offer export credit facilities they could then cross-sell their other services.

Eager

This then was how the foreign banks saw the foreign currency scheme originally. It gave them a good entrée to new corporate clients and they were eager to participate. For their part the authorities realised from the start that if the scheme was to be a success they had to involve the foreign banks. The clearing banks were able enough to cope with the sterling side but when it came to foreign currency they just did not have a big enough dollar base (and this is the key currency) to meet the expected requirements.

The clearing banks currently have foreign currency advances of the order of $4.8bn outstanding and the new scheme envisaged that $1bn a year at least would be involved. This could prove conservative since buyer credit business had been growing at a rate of 40 per cent per annum prior to the new scheme. The UK clearing banks were keen to show that they could provide the dollar funds from their own resources and so keep the business to themselves but the Bank of England realised that the amounts required could at some stage be beyond the ability of UK banks to prudentially provide. Hence, the foreign bank involvement was a key element in the success of the scheme.

The scheme got off to a slow start, partly because the UK authorities underestimated the complexity of the documentation involved, if deals were going to be successfully syndicated in the Euromarkets. The initial proposal was to simply transfer the standard sterling documentation onto a Eurocurrency basis. But this proved impractical. Euromarket banks were not so well versed as their British counterparts in the ways of ECGD and while certain matters were taken for granted under the old sterling buyer documentation, they had to be spelled out in more detail in the foreign currency scheme. To help advise the ECGD on the type of documentation necessary for the Euromarkets, the London based American Banks' Association set up a special sub-committee under the chairmanship of Ed Roberts, a vice-president at Bank of America's London branch.

Problems

The problems on documentation are less than what they were but a typical agreement can still run to nearly 100 pages and prompted one American banker to comment that "the documentation must be worth at least an extra quarter on the spread." Because of the complexity of the deals only a few foreign banks have really tried to take advantage of the new arrangements. ECGD financing is not as simple as normal medium-term lending and if foreign banks are going to arrange the deals as opposed to passively participate in them, they have to hire specialised personnel and at the same time be assured of a healthy return. The absence of participation fees in many of the deals being done particularly irritates some foreign banks.

The American banks have been the most visible so far. The Citibank group has led five deals of its own and participated in another three. Altogether it has done over $100m of business so far. Bank of America has done upwards of $50m and Chemical Bank and Manufacturers Hanover Trust have also been active as have some German and French banks. The foreign banks have limited themselves to foreign currency buyer credits and although they have been permitted to participate in the sterling scheme since April, they have not been very active as yet. The foreign banks' enthusiasm for the scheme was tempered by the fact that the U.K. authorities altered the rules of access to the foreign currency financing scheme last October. Until then foreign banks had been working under the impression that they could arrange the deals and collect the fees as well as merely participate. A number of deals were undertaken on this basis.

Under the new rules only authorised banks that are registered in the UK as companies are now eligible to arrange credits. As a result foreign banks that operate in the UK only through a branch (the vast bulk of them do) are precluded from putting together deals. Those banks which have merchant banking subsidiaries in London, principally the Americans, can arrange deals but "where a managing bank is substantially owned by a non UK registered company it shall not extend participation in the credit to other banks within the same group unless such other banks are themselves eligible to arrange financing under the scheme."

This about-turn was a bitter blow for the foreign banks and seems to have resulted from powerful behind the scenes pressure by the merchant and clearing banks to curb the potential foreign competition. The Bank of England rationalised its move by arguing that it wished to ensure "parity of competition among banks wishing to participate." By limiting access only to UK registered companies it could make sure that they were adequately capitalised and subject to the same prudential requirements as UK banks. For the smaller foreign banks it was probably fair comment but banks like Chase Manhattan, Bank of America, and Credit Lyonnais should be able to look after their own prudential requirements. The prime purpose of the restriction seems to have been to prevent the merchant banks suffering from excessive competition.

Given that the UK merchant banks have worked closely with the ECGD for a long time and understand the system well, a case could be argued for keeping the foreigners under control. However, this move could backfire at a later date. At the moment, the foreign banks are participating in the schemes because the spreads are generally healthier than those on normal medium-term syndicated lending, where intense competition for business has driven them down to a ridiculously low level. But some day margins will improve and foreign banks may not then be so eager to put up foreign currency to support UK exporters.

If foreign banks are going to set up special departments and hire skilled staff to service U.K. exporters the foreign currency scheme has to be made attractive to them and this could involve changing the rules of access so that foreign banks have more scope for arranging the deals themselves.

To date about $1.5bn of foreign currency financing has been completed, and of this the foreign banks account for $0.6bn. This means that local U.K. banks have committed themselves to providing $0.9bn of foreign currency finance at fairly long maturities. As the clearing banks total foreign currency advances only total $4.8bn it would seem that they are committing a fairly sizeable proportion of their total lending. If the demand for foreign currency financing grows even faster than at present they may regret trying to keep this market to themselves and the foreign banks might not be quite as interested to help as they were when the scheme was originally announced.

William Hall

New scheme for the clearers

THE CLEARING BANKS' close involvement in the provision of export finance goes back a very long time. Traditionally, much of it has been done (and still is done) through short-term trade credit, bills of exchange, acceptance credits and documentary credits.

However, as competition in overseas markets grew, UK exporters discovered that they had to offer increasingly attractive credit terms—often for periods of up to five years — if they were not to lose their export orders. As banks are basically short-term lending institutions, a way had to be found of providing exporters with longer-term finance and at the same time insulating them from sharp movements in interest rates during the credit period.

Consequently, ECGD unveiled plans to enable banks to provide fixed-rate medium- and long-term credit to UK exporters against an ECGD guarantee. In 1961 the scheme was widened to include buyer credits. Originally the banks lent for periods up to five years, and beyond that finance was provided by a consortium of insurance companies. They withdrew from the scheme later on. This framework has been altered from time to time, but basically remains the same. ECGD continues to provide "insurance" and through the banks it is able to offer competitive export finance.

Danger

The scheme has worked well — perhaps too well. By the end of the 1960s the clearing banks were becoming concerned about the growing volume of fixed-rate export lending that they were taking on to their books. There was a danger that their commitment in this area might mean that they would have to turn away other lending business. Consequently, the authorities allowed the banks to refinance part of their lending at the Bank of England from 1969 onwards.

This helped considerably, but by the early 1970s another problem was beginning to surface. The fixed rate of interest (originally 5½ per cent.) started to look too low in comparison with market rates of interest, and even though the ECGD guarantee meant that it was totally risk-free lending, the banks felt that they were being required to subsidise exports by lending at uneconomic rates. In addition, although they had the facility to refinance part of their lending at the Bank of England, the latter was close to its limits, and the banks were still not particularly happy about the growing proportion of their assets tied up in unmarketable fixed-rate export paper.

Consequently, a new scheme was introduced on March 15, 1972. This applied only to the clearing banks and provided for the ECGD to refinance all fixed rate export lending beyond an amount equivalent to 18 per cent of each bank's current account balances (subsequently changed to "non-interest bearing" sterling sight deposits) averaged over the previous 12 months. This meant that all medium term export credits would be refinanced above the 18 per cent ceiling. At the same time the banks were guaranteed a margin over market rates for their trouble. The borrower/exporter continued to pay a fixed rate and the ECGD made up the difference.

Although the banks quibbled a little at the relatively small half point margin they agreed to the scheme and it has continued in existence until this year. The only change was that the percentage of the banks

CONTINUED ON NEXT PAGE

ECGD facilities go on expanding

NEXT YEAR Britain's Exports Credits Guarantee Department (ECGD) celebrates its diamond jubilee. In the 60 years since it was set up in 1919 to re-establish British trade after World War 1, the department has undergone considerable change. Initially its development reflected the increasing emphasis placed on exports in this country and more recently the crucial role which financing now plays in negotiating overseas contracts.

In the 1920s ECGD provided a very simple form of insurance cover on a very restricted basis, the first credit insurance scheme as such not being introduced until 1930. Much of the department's growth dates back to the end of World War II when its facilities were expanded to get British exporters back on their feet once again. But even then ECGD continued to *function* solely as a provider of insurance cover, the first financial bank guarantee schemes not being introduced *until 1954* and the buyer credit scheme for capital goods exports not until 1961.

The provision of insurance cover on a commercial basis remains ECGD's primary role, insuring the exporter against non-payment by the buyer. In addition to the commercial risks which it covers ECGD is also the only organisation which will provide cover against political and exchange risks.

Schemes

But its insurance role extends further than that. Due to the increasing complexity of exporting and especially financing, ECGD has over the past two to three years introduced several special insurance schemes.

These include insurance cover against political risks of new investment overseas for up to 15 years; protection against part of UK inflation costs for major *capital goods contracts through* its cost escalation scheme, support for the issue of tender, performance and advance payment bonds together with cover against unfair calling of the bonds, as well as cover against currency fluctuations in the tender to contract period.

ECGD will also provide "joint and several" cover for UK members of a consortium involved in "jumbo" projects against losses resulting from the failure of one of the other members. Last December this cover was extended on an experimental basis to cover losses due to situations *falling short of actual insolvency* but where problems affecting one partner could jeopardise the contract.

ECGD's straight insurance cover schemes are widely used—ECGD covers about 38 per cent of all UK exports, some 80 per cent. of which is sold on short-term credit. But despite much clamouring from industry for new schemes to cover particular situations its *special schemes* have had somewhat mixed success.

The cost escalation scheme, first introduced in December, 1975, was only used twice during the first two years of its operation, though it is claimed that several contracts were negotiated using the scheme but in the end were lost to competitors. It has *since been* used more frequently—a total of nine deals worth a total contract value of £178.6m having now been concluded.

Part of the problem is that the scheme is very complicated, so that only the more sophisticated contractors take advantage of it. Then those that do argue that the British scheme is far less comprehensive than that operated by the French, which is open ended, though at some considerable cost to the French taxpayer.

Even so the scheme has been crucial in winning several major contracts for Britain. These *include* the £147m Davy Powergas methanol deal in the Soviet Union, the £100m turbine generators contract awarded to GEC by the Kowloon Electricity Supply Company of Hong Kong and the £25m rail cars order placed with Metro Cammell by the Hong Kong Mass Transit Railway Corporation.

Bond guarantees also got off to rather a slow start. But despite continuing criticism over the limitations of the scheme it is now being used fairly extensively. A total of 121 guarantees with a total contract value of £1.68bn have now been issued reflecting in part, the lowering of the eligible contract value in several stages from the original £20m to the *present £500,000 in response* to industry demands.

The main problem of bond guarantees continues to be the banks' attitude. They regard a company's bond liabilities as part of its overall financing facility which will tend to be offset against its normal overdraft. The extent to which this occurs obviously varies from *company to company, reflecting* the bank's confidence in a particular customer. But locking up funds in this way is proving to be a problem, particularly for the smaller companies who may be tendering for several contracts at one time.

Taking out bonding cover with ECGD is intended to *overcome this problem, though* many contractors say that in practice this is not the case—a claim which is in turn rejected by the banks. The debate continues as industry seeks greater Government involvement to the extent possibly of taking over responsibility for providing the bonds from the banks so that the company's normal overdraft facilities *would not be affected.*

The "jumbo" contracts scheme, introduced in its original form 2½ years ago, has never been used and there are no signs yet of the extended scheme being taken up. But this is only to be expected *given that* such contracts are by their very nature few and far between.

Tender to contract cover, *which has been available for* less than a year has, however, been widely used by exporters. This scheme covers a company negotiating a contract to be financed in foreign currency against exchange risks during the period betwen tender and actual award of the contract, which can be anything up to 12 months.

Vital

Sterling has appreciated considerably *since* the scheme started, and this is reflected in the number of contractors which have taken out cover. So far *seven contracts totalling £383m* have been won using the scheme—it played a vital role for instance in the Metro Cammell Hong Kong deal — while another nine contracts worth a further £176m are currently under negotiation. Another 17 deals totalling £334m have also been bid for but not won so that altogether tender to contract *cover has been taken out by 31* contractors.

But despite its usefulness the scheme is not without its problems. It operates in such a way that ECGD gains if sterling weakens, while the contractor benefits if the currency appreciates. Given the normal fluctuations in currencies the scheme should be self-financing *in the longer term. But because* of the strength of sterling during much of its operation, ECGD has been experiencing a steady loss on the facility. This is said to have prompted some debate between the department, which is required to operate its insurance business on a commercial basis, and the Treasury. ECGD's view, apparently, is that *since the scheme has been* necessitated by the Treasury's insistence that buyer credits be financed in foreign currency it should also shoulder the financial burden of the scheme.

All ECGD will say at this stage, however, is that the scheme, being a new one, is under continuous review. But it seems likely that there may be *some changes in its operation.* Contractors, too, would like the scheme modified as they find it rather expensive. First, they have to carry the first 3 per cent of any currency swing, while the premium itself can amount to anything up to another 1 *per cent if cover is* taken out for up to nine months as is often the case with very large contracts. This additional "cost" of up to 4 per cent, they argue, can often cancel out any potential gain from selling currency forward so that they are no longer able to offer a price in foreign currency which is more competitive than a sterling *price.*

But despite such grumblings, the foreign currency buyer credits policy as a whole has been more favourably accepted than was first anticipated, particularly by contractors. ECGD had set a target of $1bn for such deals by the end of this year, but some $1.5bn worth of contracts have already been con*cluded in U.S. dollars, together* with a further £25m equivalent for the Metro Cammell contract in Hong Kong, which was fin*anced in local currency.*

Acceptability of the scheme has been helped by increased flexibility with which ECGD is now operating the scheme. In March of this year it announced that contracts with a loan value *of up to £5m are no longer* required to be financed in foreign currency. For contracts in the £5m to £20m range, foreign currency is preferred and for those over the £20m mark it is mandatory though in practice exceptions get through. This means that the UK contractor is able to offer a choice of currency for financing—a *facility which it not freely* available to his competitors.

Gaining

Foreign currency also appears to be gaining acceptability with overseas buyers. The Soviet Union, though it accepted dollars for the Davy methanol project, still maintains that this did not set a precedent. But it is being encouraged to accept foreign currency again by lower interest rates on such financing compared with sterling.

Even so the East European countries continue to present greatest resistance to *foreign* currency—the BAC 1-11 Romanian deal, for instance, has been delayed by the Romanians' insistance that it be financed in sterling which ECGD has so far only agreed to *in part.* Meanwhile Brazil, another country which has strongly resisted the switch out of sterling, earlier this month *signed a $35m line of credit* with Lloyds Bank International, which was its first ever export credit in foreign currency.

The conclusion of the HK$204m financing for the Hong Kong mass transit railway *has* also prompted speculation that ECGD will now consider extending the scheme to other currencies.

ECGD's imminent move to extend the foreign currency financing to supplier credits will give contractors still greater flexibility. But while contractors may welcome any signs of flexibility from ECGD, the extent of this in some instances makes a mockery of the so-called gentlemen's agreement on export credits. Britain *has already followed the* French and Italians in lowering interest rates on its cheap credit package with the Soviets. But it *is bending the rules still* further for the Rolls Royce/Tri-Star Pan Am deal where, by providing credit insurance cover for the entire aircraft, it *is effectively providing access* to cheap finance for what is essentially an internal U.S. deal—the sale of the airframes by Lockheed to Pan Am.

To be able to do so it is *bending even its own rules by* extending insurance cover to U.S. banks when normally this is confined to the UK supplier. It is also breaking the OECD regulations on aircraft sales by offering credit terms of 15 years instead of the maximum ten allowed.

ECGD's *financing of this deal* has been repeatedly and vocally criticised by the U.S. The British Government can expect further attack from the Americans over its recent move to allocate 5 per cent of aid funds to the financing of supplies of British goods and equipment *or development projects.*

This means that for the first time Britain will be able to offer "credits mixtes" a mixture of credit and aid. This is a financing method widely practised by the French which has frequently given them the competitive edge. But it is a practice which the Americans are very anxious to see abolished, *along with* cost escalation cover which was given another year's life in March this year but may not survive the next renewal date given American agitation for tougher rules on export credits.

Margaret Hughes

Clearers

CONTINUED FROM PREVIOUS PAGE

LONDON CLEARING BANKS AND SUBSIDIARIES

Lending for Exports and Shipbuilding

(£m)

November	1972	1973	1974	1975	1976
Medium-term Export	1,529	1,771	2,165	2,682	3,340
Shipbuilding Finance	343	404	450	499	554
Sub-total	1,872	2,175	2,615	3,181	3,894
Less refinance	631	858	1,184	1,598	2,163
	1,241	*1,317*	*1,431*	*1,583*	*1,731*
Short-term Export Finance	221	264	381	470	560
Total	1,462	1,581	1,812	2,053	2,291

unrefinanced *lending* was increased from 18 per cent to 20 per cent in July, 1976, and finally *to* 21 per cent in December, 1976. However, once again the success of the arrangements began after a while to put strains on the financial system and this time it was not the banks, but the UK Government itself that was feeling the pinch. The cost of refinancing the credits and paying the extra interest was having a material impact on the Government's spending plans. *The annual cost* of bridging the gap in interest rates alone, leapt from £20m to £220m between 1972-73 and 1976-77. With growing pressure from the IMF to reduce public expenditure it was obvious that export financing would be high on the priority list.

The 1972 scheme ran out in October of last year and prior to that the authorities had been discussing the outlines of the new scheme with the clearing banks *and* other interested parties. In December, 1977, the new arrangements for ECGD supported sterling export finance were unveiled and it would be fair to say that while the banks termed them "acceptable" *they were not* ecstatic.

The main objective of the new scheme was to ensure that the banking system carries on its own books a substantially larger share of the fixed rate lending without refinancing by the Government. The authorities were keen to ensure that an adequate supply of fixed rate finance would be available so they dared not squeeze the banks to hard. As a sweetener the maximum interest rate for bank finance provided under ECGD guarantees for business on credit terms of less than two years (*the short term* business) was increased by ⅛ of a per cent to ⅜ of a per cent.

The new scheme started operating from April 1 this year and will apply to all future commitments to provide fixed rate export or domestic shipbuilding *sterling finance. Under the new* scheme the participating banks provide all the finance needed for lending in respect of maturities up to and *including* five years, or such longer maturities as they are content to hold themselves. Their entitlement to refinance with ECGD or the Department of Industry will extend only to those amounts which *are due to mature* for repayment more than five years after commencement of the credit period. Banks participating in the new scheme will be entitled to a commercially based rate of return on their unrefinanced *lending which* will be calculated by reference to sterling London interbank offered rates.

Credits

Existing commitments under the old schemes will take several years to run off and in the meantime the banks have *agreed* with the authorities that they will increase the amount that *they* will hold on their own account to a fixed proportion based on 24 per cent of the value of their non-interest bearing sterling sight deposits up to March 31, 1978.

Of the £4.1bn of outstanding *insured* credits of over two years, £2.2bn are currently being refinanced by ECGD. The new scheme means that virtually all *new medium-term business* will have to be shouldered by the banks themselves. It is reckoned that no more than 25 per cent, *and* perhaps as *little* as 10 per cent, will be eligible for refinancing. Looked at another way the banks will have to take upwards of £1bn a year extra on their balance sheets once the scheme starts. This should *save the public purse about* £300m in a full year. The banks have given assurances that they can provide the extra funds, while also meeting the expected demands from other priority areas. However, if competing *demands for capital increase in* the future, the banks may well want to renegotiate the scheme and perhaps extend the amount of money available for refinancing.

The other prong to the authorities plan to reduce the public expenditure element in export financing was the switch*over to foreign currency* financing. This should be cheaper since UK rates are generally higher than Euromarket rates and there is no provision for refinancing along the lines of the UK scheme. In February *1977 the Secretary of State for* Trade outlined a number of measures aimed at bringing about a switch in financing of sterling buyer credits to foreign currency. In future, ECGD should only underwrite larger projects where these were financed in foreign currency. In April of this year the foreign *currency scheme was extended* to supplier credits with a maturity of over two years.

In addition to switching a large amount of ECGD business onto a foreign currency basis, the authorities also opened the scheme up to foreign banks and this is what has upset some of the banks. They were prepared to participate in the scheme as *long as they had a monopoly* along with the merchant banks but they were not so happy when the scheme was thrown open to all comers. The big U.S. banks with a natural dollar base looked to have a natural advantage since they could raise foreign currency funds more cheaply than the clearing banks. The foreign banks were also seen to muscle in on the ECGD scheme because it would enable them to build up their corporate relationships with big UK companies.

As a result the authorities revised their rules of access to the scheme in October, 1977. Whereas initially it had been open to nearly every foreign bank, the new rules stated that *only those banks authorised* under the exchange control Act, 1947, and registered as companies in the UK will now be eligible to arrange such credits. This protected the UK banks from unnecessary competition although the official line was that it was meant to provide "parity of competition."

Against this background the clearing banks have had to adjust to very significant changes in the framework of export finance over the last 18 months and it will be some time yet before the dust has settled and it be judged whether the current arrangements are more or less beneficial than earlier ones.

William Hall

The Department of Trade helps exporters by providing a range of services and financial assistance. On this page Lorne Barling examines how exporters use these facilities, and discusses the Government's industrial strategy, and in particular the work of the sector working parties on stimulating exports.

Working parties state their objectives

AT A time when growth in world trade continues to be slow, the only means of improving British competitiveness in export markets is by containing costs, raising productivity and improving design and delivery performance.

This is the view expressed in a recent memorandum on the Government's industrial strategy, endorsed by the Chancellor, Mr. Healey, and the Secretary of State for Industry, Mr. Varley. It also points out that these are not things which the Government can do for industry.

Moreover, North Sea oil is seen as more of a problem than a benefit, in that it will make it more difficult to use the exchange rate as an instrument to improve competitiveness. Any improvement in price competitiveness as a result of sterling depreciation is regarded as dangerous in that it brings with it some increase in the rate of inflation and can also mean less responsiveness to market changes.

The main purpose of the Government's industrial strategy, launched just over two years ago, is to make Britain's manufacturing base fully internationally competitive through a substantial improvement in its performance.

As a means of establishing how this could be achieved, a number of sector working parties including people from management, trade unions and government, were set up to report on their various industries. After a difficult economic period many of these SWPs have reported, with particular reference to their overseas activities.

Out of 16 SWPs which had reported by February this year, nine expected an increase of their share in world trade by 1980-81, another five aimed to maintain their share and two foresaw a slight decline. A further 15 SWPs have objectives which are aimed at improving the balance of trade within their industrial sector, although this classification is meant only to give a broad indication of the possibilities.

Although aggregation of export objectives can be based only on reports covering just over half all SWP exports, the National Economic Development Office said earlier this year, the industries concerned were considering export growth for 1975-80 at a little under three times the 3.5 per cent per annum growth for 1971-76.

A similarly restricted number of SWPs suggested little or no further growth in imports in constant prices from 1975-80. Altogether, these trade objectives were then seen to result in a gross improvment in the trade balance of around £2.5bn at 1977 prices. This was slightly smaller than what was implied by 1976's reported objectives, and will be adjusted again in future.

Substantial

However, SWPs are still aiming at substantial and sometimes spectacular improvements in trade performance despite the fact that trade internationally is not now expected to improve as much as was then thought.

More specifically, SWPs report opportunities abroad in agriculture, public utilities, transport and infrastructure requirements. The rise in oil prices is also thought to have created special opportunities for mining machinery and diesel engines, and opportunities for higher performance products and production processes, computer control and automation equipment are considered to be good.

On marketing, the SWPs emphasise the opportunities to improve the effectiveness of UK companies and in some a total "systems" approach in the product range is regarded as essential. The advantages of a selected markets approach is also stressed by some.

Western Europe is the region most frequently mentioned as an opportunity area but some SWPs see their best opportunities lying outside Europe, ranging from the U.S. to Comecon, OPEC and developing countries. But in a number of these markets the difficult trading environment involves considerable risk and heavy investment for the companies.

A number of SWPs also emphasise that the nature of export expenditure — a negative return on capital in the early years followed by a slow build-up in profit — may inhibit companies from undertaking the necessary marketing activity.

The main problem areas are seen as:

- Financing large scale projects with long lead times and associated substantial working capital requirements;
- Providing long-term risk capital in order to invest in distributor support, service and spares facilities and increased stock levels;
- Supporting tendering costs and feasibility studies, obtaining pre-shipment finance and the cost of working capital.

Expanding

In response to this, the NEDO memorandum says that in the private sector, ICFC, ECI and other venture capital institutions can provide risk capital, and the NEB is expanding its role in some areas.

It also points out that the Export Credits Guarantee Department pre-shipment finance scheme was introduced in 1975 for the problems of production finance of high value. The British Overseas Trade Board's Market Entry Guarantee Scheme is also seen as a significant aid to exporters.

On credit insurance and finance-facilitating guarantees, the memorandum points out that the threshold for ECGD's bond support scheme has been progressively reduced from its original level (contracts of £20m or more) and was lowered to £500,000 in December last year.

A thorough review of the cost escalation scheme, taking account of the views of industry, had also been carried out in considering whether it would be continued. Early this year the scheme was extended for a further year.

Looking briefly at the reports of two SWPs and their thinking on exports, it is clear that their stated export objectives depend to a great extent on achieving their aims on reduction of imports (through import substitution) and improving their industrial base.

The electronic consumer goods SWP, for example, aims to reduce import penetration in its sector from over 40 per cent at present to 37 per cent by 1980 and 35 per cent by 1984. Its export objective is to increase sales abroad from their 1975 level of £78m to £150m in 1980 and £280m in 1984. This will reqire the proportion of output devoted to exports to be increased from the 1975 level of 20 per cent to 28 per cent in 1980 and 35 per cent by 1994.

The SWP believes that its increase in export volume must be centred upon Western European markets in the short- to medium-term. For colour television, for example, the UK share of Western European markets by 1984 would need to be raised from its 1975 level of 2.2 per cent to around 6 per cent.

The constructional steelwork SWP, again a random example, believes that it should aim to increase its exports by 33 per cent in the four years to 1981, and more particularly should avoid the usual reduction in exports when the home market is improving. It is pointed out that over the past eight years the UK industry has taken a lower share of the world market while other major exporters have maintained theirs. These losses were greatest in the most rapidly expanding market areas.

Despite the prospect of increasing competition from many emerging countries in this sector, the SWP has adopted an export objective of which it feels the industry should be able to achieve. This involves an annual increase in exports of 10,000 tonnes of constructional steelwork from 110,000 tonnes in 1976 to 160,000 by 1981.

Two main factors should make success possible, the SWP believes. These are the large amount of spare capacity which will prevail despite the short but rapid growth in demand at home, and the greater awareness which many companies now appear to have developed towards promotional efforts for exports.

Nine loading shovels from F. E. Weatherill Ltd being sent to Sri Lanka for use in a government scheme to improve farming.

Government plays a bigger part

THE MOST significant direct Government involvement in exports for some years was the part it played in the £100m power station contract which Babcock and Wilcox and General Electric were recently awarded by Kowloon Electricity Supply Company of Hong Kong.

For the first time the Department of Industry played an integral part in the negotiation of such a contract, and the Prime Minister took an active interest. There is now conjecture whether this may not set a pattern for future deals of this kind.

While it is clear that the Department of Industry's role as main negotiator came about because of the circumstances of the UK power industry, the fact that it was a negotiated rather than tendered contract and the UK's special relationship with Hong Kong, the deal clearly broke new ground.

Mr. Alan Williams, Minister of State at the Department of Industry, was in overall charge of an operation aimed at providing an attractive package of equipment and finance, and Lazards was appointed by the department to advise on finance.

General Electric was appointed main contractor by the department and a three-man committee was appointed for the development of tactics and negotiating procedures. They were Mr. Alastair Macdonald, an assistant secretary at the department, Mr. Norman Scott, contracts director of GEC, and Mr. David Gemmill, assistant director of Lazards.

One of the clear advantages of the actual negotiation, which was conducted partly by Mr. John Lippitt, a Deputy Secretary at the department, was that the buyer was dealing directly with the British Government, a gilt-edged client.

Unusual

The eventual deal, which was unusual in a number of other respects, was concluded with a £390m export credit and J. Henry Schroder Wagg as the lead managers. The loan was the largest of its kind to be guaranteed by the Export Credits Guarantee Department.

However, the novelties of the agreement have caused some problems, notably over the role of ECGD, which arguably should have had a more prominent part to play, and of the British Overseas Trade Board's Overseas Projects Group, which was recently reorganised to play a bigger part in co-ordinating so-called jumbo contract bids by British companies.

Late last year, following considerable pressure from industry, ECGD introduced an insurance scheme providing cover for companies involved in export contracts worth £50m or more, for an experimental period of three years. So far no policies have been taken out under this scheme.

Overall, the BOTB now faces more difficult circumstances in which to promote exports, due to the slowdown in world trade and a general tightening of world markets.

The success of Export Year has done much to persuade industry that promotional activities of this kind can be useful in bringing home to all employees the importance of being competitive, particularly when selling abroad. But the question now vital to management is whether this achievement can be sustained and penetration of markets (often at considerable cost) can be followed up with an established presence in the country concerned.

Clearly attempting to capitalise on the enthusiasm for Export Year, the BOTB recently launched Export United, stressing the need for co-operation by all members of companies. It has the support of the Confederation of British Industry, the Trades Union Congress and various other industrial and commercial organisations.

A number of companies such as JC Bamford Excavators have decided to make 1978 their export year, usually linked in with export targets for specific countries or products, while others have opted to continue their 1977 export year in an effort to maintain some of the impetus generated.

Following a long period of criticism about the lack of encouragement for small exporters, the BOTB recently introduced the Market Entry Guarantee Scheme (BEGS) and the first agreement for its use has been signed with Osro, a Hemel Hempstead-based company which manufactures metal and plastic finishing materials.

Under the scheme, the BOTB can provide 50 per cent towards the eligible costs of a venture in return for a levy on sales receipts on a company's exports. Eligible costs are broadly the overhead costs of the activity which are written off as incurred and can only be recouped by the exporter through his profit margin on sales.

The investment period, during which contributions are made to MEGS, and the following recovery period during which the levy continues, are set in relation to the rate of the levy so that the scheme is expected to recover its contributions with a return on investment of 2.5 per cent above the clearing banks' base rate.

Recovery

The levy payments stop when this has been achieved and if sales do not materialise as expected, the levy payments stop at the end of the agreed recovery period. For this potential loss to the scheme, the company pays an annual premium of 3 per cent of the potential scheme contributions during the years when the contributions are being received by the company.

There are no limits to the size of the company which may apply but the maximum contribution to any one project is £100,000 spread over a maximum period of five years. There is also a minimum contribution of £20,000 to any one project. Companies arealso expected to show that their proposed venture is a well-planned package, and that they have the capability to carry through the project.

Mr. Roger Selman, a director of Osro, said that the scheme gave his company the confidence to take one the risks of a new venture and believed that his company could build up sales in the U.S. over the next three years. Its main contribution would be towards costs of offices and staff in the new market.

The BOTB said that Osro's application had been speedily approved due to the fact that it fully met all the terms of the scheme. It had done much of the necessary initial research into the U.S. market.

The aim of MEGS, while offering aid which does not give much away on interest rates, is to provide a reasonably quick service without becoming involved in any in-depth evaluation of a company's export project. So far the BOTB has received more than 600 initial inquiries and about 60 applications, of which seven are being processed.

The BOTB reports that the flow of applications so far is better than expected and it is likely that between 70 and 80 per cent of companies will get approval. Of the companies which have applied, 67 per cent have a turnover of less than £2m a year, allaying fears that smaller companies would not get fair treatment.

A model of the proposed United Arab Emirates National Assembly Hall being designed by architects and town planners, John Brunton and Partners.

SOCIETY TODAY

Paying for a better pension deal

JUST ABOUT every leading politician will be telling us this summer that people should be able to choose the age at which they retire. Flexible retirement is a slogan with such strength behind it, in both Western Europe and the U.S., that all parties will feel obliged to say something positive about the idea. It sounds fine, but it leaves on one side the $64bn question of who will pay?

In principle, the most appropriate answer would be, "the pensioner, during his or her lifetime of work" but the trouble with that is that a large and growing proportion of the pension upon which most retired people depend is financed by working taxpayers.

Flexible retirement would add to this burden unless it was accompanied by what would amount to a revolutionary shift of the responsibility for pensions from the State to the individual—that is, to a system of actuarially sound endowment policies.

There is no other way. It can already be discerned from the growing debate in Britain that this fiscal hurdle lies ahead. In the U.S. they have begun to trip over it, following a new law that permits most people to stay at work until 70 whatever their employers or workmates may have to say about the matter.

This crucial connection between the age of retirement and the method of paying for it is, sadly, too often left out. The National Association of Pension Funds has naturally not forgotten the principles involved, but its recent voluminous report has so far suffered the fate of being adopted as the basis of a submission by the Equal Opportunities Commission that whatever else happens the important thing is that men and women should both be governed by the same rules.

No one other than an unimaginably courageous chauvinist would seriously quarrel with this, but the trouble is that a strong focus on equality between the genders is too narrow. The EEC has come up with, not quite a recommendation, but rather "a practical proposal for discussion" that everyone should retire at 63, which would mean three years more for women and two years less for men.

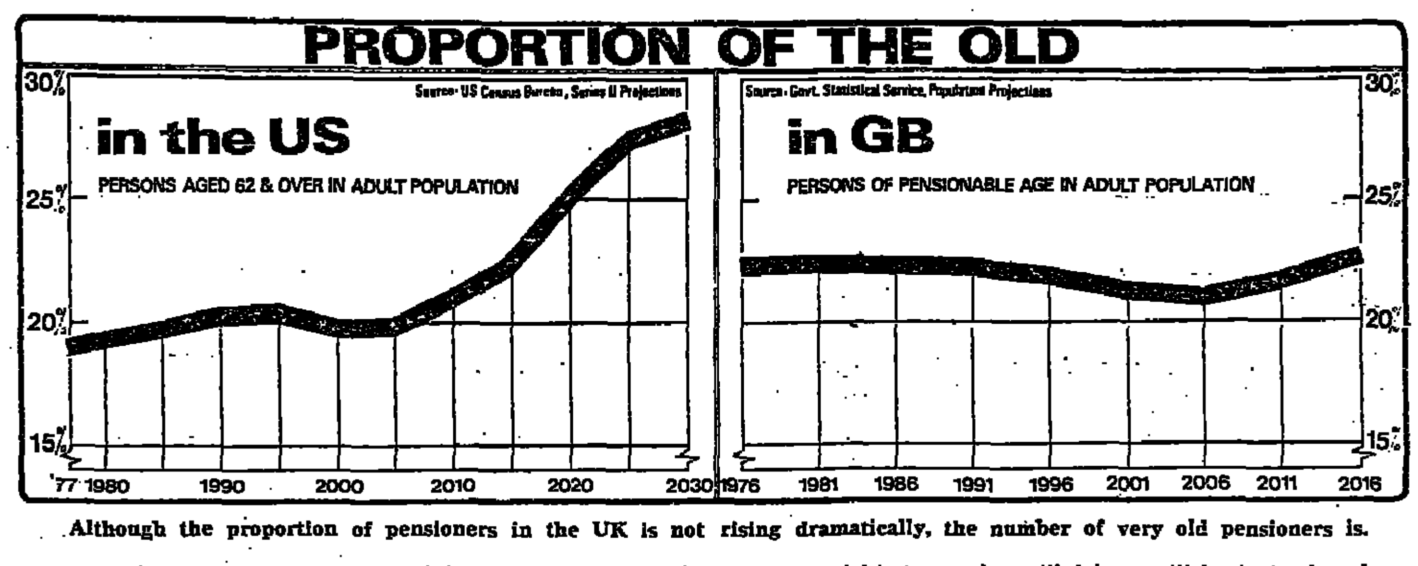
Leaving aside some contrary opinions from the Department of Health and Social Security it appears that this compromise is the nearest thing to being cost free—if one can adjust the *equations to indicate that the* savings on women's later pensions would compensate for men's earlier ones. Yet even the Commission must acknowledge that such calculations are necessarily imperfect.

Option

If there is any kind of option *built in*—and in this age when flexible retirement is a political necessity it must be—then there is no certain way of knowing who will take which option. If the individuals really were saving for their own futures this might not matter. However, when pensions are increasingly taxpayer-financed then adjusting the rate of pension collected is only a marginal adjustment to an essentially uncontrollable inflator of costs.

In Britain another potential inflator of costs is the declared policy of the Trades Union Congress, which has decided to press for a lower pensionable age.

This first appeared in their "statement of objects" in 1925, and was repeated only a few weeks ago when Mr. Len Murray told the annual conference of the National Association of Pensions Funds that to accept the suggestion of a retirement age of 63 for all would be "to step back from achieving the policy that has the overwhelm*ing support of working people*—the right to retire for all, men and women, at 60, on adequate pensions."



Although the proportion of pensioners in the UK is not rising dramatically, the number of very old pensioners is.

To rub it in, Mr. Murray spoke of a phased programme of reducing the retirement age for men and added that the TUC "would be totally opposed to anything that would deprive women of their existing right to a national insurance pension at 60." *This policy is preferred by* the TUC partly because it is one of their sacred cows, but more importantly at the moment because trade union leaders seem to see it as a means of combating unemployment.

The TUC is here being as narrow in its own view of the principles involved as is the Equal Opportunities Commission. Many people in arduous and unpleasant jobs—coal mining for example—naturally want to retire early. In some such jobs a contract like the "Thirty years and out" negotiated with the unions by the U.S. steel corporation in America would be desired by most workers and understandably so. Thirty years down a coal mine would be more than enough for most people.

"Grey power"

But for others—a minority perhaps but a significant one—the opportunity to continue in work, particularly in the service sector, would not be *unwelcome. It was the realisa*tion that this was so that led Congress to accept a brief but intensive campaign by the proponents of "grey power" (pensioners' rights) in the U.S. to amend the law against "age discrimination", in such a way that most private sector employees are now given a statutory right to work until 70 if they choose.

The Equal Opportunities Commission will understand the significance of such a law for women. As increasing numbers of them come into the labour market, it becomes plain that those whose children are past nursery age can look forward to an active and possibly uninterrupted working life as long as that of some men.

A woman aged 40 would have a quarter of a century in which to pursue a decent career if her retirement age was raised to the male's 65, and the chance for her own equivalent of "30 years and out" if the law over here allowed what it now does in the U.S.—work until 70.

To those who say "yes, but what about unemployment?" the reply is to look to the population figures. In many Western countries, and certainly Britain and the U.S., the large influx of wartime "baby boom" young workers will continue for only a few years more. By the early 1980s the supply of young labour will begin to slow down, so that the likelihood is of an increasing labour shortage.

At the same time there will be an increase in the numbers of old people in the U.S., and in the UK an increase in the cost of giving old people decent care (because the number of very old pensionsioners is rising sharply). Flexible retirement *is perhaps the only way* of providing for adjustment of the size of the labour force, at the far end of the scale, to meet the peaks and valleys of the working-population curve.

Much of what I have said so far can be expected in the Government's forthcoming Green Paper on the retirement age, and provided there is a plentiful insertion of the phrase flexible retirement, the likelihood is that the Tories will give three cheers and say that the only difference they have with the Government on this matter is on the soundness of the costings and the fact that a Conservative government would do them better.

Such a Green Paper might suffice as something scratched up for a summer pre-election campaign, but without an answer to the practically unanswerable question of costs it will not be enough. In the U.S. *they are preoccupied* with the discovery that the social security system invented during the depression still leaves many old people in a distressing condition while any hope of financing an improvement comes up against the mighty force of the taxpayers revolt that achieved such a triumph in California a few weeks ago.

In Britain we have increased the state pension to a level that is historically high by British standards but still low by the standards of the insurance-*based systems of the wealthier* Continental countries. Yet there can be little doubt that substantial further increases, desirable as they may be, would meet taxpayer resistance of the type that has so shaken the Americans.

And there is no getting around the fact that any move towards flexible retirement *based on the present* tax-as-you-pay principle would be more costly than what we have now. In an ideal world there may be another option—perhaps a return to care by the extended family of a kind that is still enjoyed in Japan—but in the West the breakup of that kind of family is probably irrevocable.

What is left is simply this: the hopes for our elderly can only be met by the elderly themselves. In working life they (that is, most of us now) must save more and must be encouraged by reductions in taxation on unearned income to save more.

In later life those who want to work past 60 or 65 must be permitted to do so with perhaps only a modest reduction in actuarially based pensions if the arithmetic can be so arranged. Binding future taxpayers—our children—to a level of contribution higher than the one we are beginning to find onerous as we support our parents now is a foolish principle, fraught with danger for the present generation.

Future

Nor is the danger merely fiscal. In this article I have deliberately omitted the customary hundreds of millions and billions of pounds with which we so often scare ourselves when peering into the future *for pensions. Those figures are* still there, but they are not the most disturbing part of the story.

Care for the aged is not a constant in human society. The Japanese veneration of their elders is one extreme—the British tendency to place them on one side is close to the other.

As the burden on working taxpayers increases the extreme could be pushed even further so that retired people, particularly the very old, might increasingly come to be seen as an irritating social burden. Such a future seems far from impossible to anyone who has witnessed the shrinking back from social security that is already *taking place.*

In short, behind the present rhetoric about flexible retirement lies the awkward probability that the only people upon whom many of us will be able to rely when we retire is ourselves.

Joe Rogaly

Letters to the Editor

Investment in Westland

From Mr. M. Webber

Sir,—I am the convenor for the hourly-paid employees at *Westland Helicopters, Yeovil.* The employees I represent are very concerned with the profitability of the company, the profit that is needed for dividends, re-investment, wages, and security of employment. We, who invest our livelihoods, are aware of the problems in our industry and would like to make those who invest money equally aware.

We started on the present piecework scheme *in 1975. Before* its introduction we repeatedly told the company that it would not be an improvement. Within 12 months the company was complaining as to the effectiveness of the system. Early in 1977 the deputy managing director of Westland Helicopters proposed, and we accepted, a flat rate system with no piecework. This was subsequently withdrawn by the *Westland Aircraft Board.* Later in the year representatives of the same Board insisted that Lynx assembly workers should go on a flat rate before any wage increase could be paid. This we agreed, *along with a proposal to* negotiate a flate rate system by April, 1978. Negotiations have now reached an impasse.

In view of the poor company performance we are no longer *pursuing a wage claim.* The company is, however, still attempting to impose another proposal that would, at best, reduce the skilled workers' earnings by £12.50.

Our real *concern is the belief* by the Westland Aircraft Board that a reduction of £12.50, and transfer from piecework to flat rate will generate *higher produc*tivity and profit. This, I genuinely believe, would be disastrous. We have a company with a product, skills, and prospects second to none. I can only hope the people who invest money in the company use their authority wisely.

M. Webber,
Convenor,
Westland Helicopters,
Yeovil.

Merseyside progress

From the chairman, Planning and Land Committee, City of Liverpool.

Sir,—The article on Merseyside "Exploding the myth" by Rhys David (June 16) was for the most part a fair and balanced report *about the present indus*trial relations situation on Merseyside. We in Liverpool are particularly pleased that Mr. David brought national prominence to the recent objective report showing that the image of poor industrial relations on Merseyside is no longer justified.

The suggested solution involving package *management/union* deals is not a novel one. It was proposed by me in the city council as leader of the Liberal group some years ago. Nothing, however, would do more for Merseyside than an industrial relations charter for a fixed period on the lines so common and effective in the U.S.

The dismissal of the idea of a free port which, although put forward by the Liberals originally, is now the policy of the city council has been done far too glibly. In the first place it is interesting to note that Greater London Council has followed Liverpool's lead in this respect in regard to the Port of London. In the second place we believe that if the economy of Merseyside as a whole is to survive, and the massive unemployment problems which now face us be resolved, then a major new dynamic has to be introduced outside the ordinary *government grant structure.* That is why the free port proposal provides for a linked free trade industrial estate with direct taxation inducements (such as exist elsewhere in the EEC) and the *use of the land bridge across* the M62 to Hull which would be a linked free port.

There has been a shortsighted failure to recognise that an east/west trade axis is highly desirable in order to stop the present "two nations" situation economically. There is also a clear mental block within the Whitehall bureaucracy in so far as they appear to ignore the need for this country and the EEC to trade with the rest of the world, in particular the Americas, and the enormous advantages which would accrue to Liverpool, Hull and the EEC if the city's scheme was to be adopted.

I agree that solutions will have to come from within the area as well. That is why the city council has taken specific action which complements government activity to which Mr. David refers. At this very moment there are in hand schemes for a major re-development of Lime Street Station and the old North Western Hotel by British Rail. On the waterfront there are two highly imaginative schemes for conference, recreational and shopping facilities likely to go ahead in the near future and the PSA is currently undertaking a major port development and will soon start a new civil service office development on the former Exchange Station. A major new shopping development is planned on the Central Station site which will give a tremendous boost to the *central* shopping area. The council is itself under taking a comprehensive new factory building programme on cleared sites and we have in hand plans for the development by private enterprise of new offices in the Moorfields area. The council's plans for building new homes for sale have set a lead to the nation *and will bring into the* city centre a new active population and new vigour. I suggest therefore that Liverpool is doing a great deal to help itself and that the most encouraging factor *is the* vast amount of money now being invested by private enterprise in development within the city.

I hope that Mr. David's article and this letter will encourage more *industrialists to come to* Liverpool and Merseyside where they will be assured of a warm welcome.

Cyril Carr.
Municipal Buildings, Dale Street, Liverpool.

London's problems

From the Member of Greater London Council for Chingford

Sir,—In their article of June 15, John Brennan and David Churchill put together a masterful summary of the unemployment problem that London faces. It is all too true that government consistently fails to recognise the *magnitude of* the problem and adheres to policies which put London's inner city areas at such a distadvantage. Even London's "partnership" areas have been given only limited concessions by government.

This whole question of London's industrial and inner city problems is one which is of the utmost concern to the London *Employment* Forum. Chaired by the Greater London Council and comprising representatives of the regional organisations of the CBI and TUC, the London Boroughs Association and the London *Chamber of Commerce* and Industry, the Forum has been arguing strongly for the urgent action which is needed to rescue *London's inner city areas and* help its jobless. It has urged on Ministers the need for assisted area status to be given to London's inner city areas, for further relaxation of controls *over industrial development, and,* within overall public expenditure limits, for additional government resources to rejuvenate London's run-down areas. The Forum is keeping in close touch with *London MPs on the economic* problems facing London and to assist them in presenting London's case and getting something really effective done about it, the Forum has produced a *booklet setting out in words and* diagrams the stark facts of London's unemployment problem.

We still have a long way to go to convince central Government of London's urgent needs, but when we have, in the London Employment Forum, a group representing all sides of industry and local government, unified in their common resolve to see these needs met, I would not share the pessimism with which John Brennan and David Churchill conclude their article.

Richard Brew.
(Chairman of the London Employment Forum).
*Members' Lobby,
County Hall, SE1.*

Local authority spending

From Mr. M. Snowdon.

Sir,—The article on "Value for Money" in local authority finance (June 14) might have referred to a major problem which has been barely tackled. Looking primarily at capital expenditure rather than revenue we find that the potential for learning from experience is insufficiently recognised.

The problem is acute in the public sector where capital is often spent to meet real but unquantifiable needs. Having spent the money it is politically desirable to claim success for the venture and this allows little room for critical analysis as to how the money might have been spent more wisely. The absence of this critical facility means that the ability to *learn* from the experience is only available to a very small number of people who happen to be close to the particular circumstances. Some criteria (e.g., reducing accidents) are *comparatively easy but* others (e.g., improving amenity or appearance) are much more difficult.

The next step is to relate cause and effect so that any required achievement becomes more predictable. The complexities of the situation are usually such that balanced objective views at this stage are difficult. Nevertheless *if increased value is to be* achieved progress must be made in such analyses. It is important to recognise the opportunities of increasing value for money.

Maurice Snowdon.
*142, Borough Road,
Middlesbrough, Cleveland.*

Share prices and audits

From Dr. M. Barron

Sir,—The article by Dr. Firth (June 14) on the effects of audit qualifications on share prices described an interesting piece of research and made some plausible proposals for changes in reporting practice. Unfortunately it is not necessarily true that the recommendations follow from the research.

Dr. Firth's research method was to look at the period immediately after the announcement of the audit qualification, and compare the share price movements of a "qualified" group of companies with a comparable group of companies which had not had their accounts qualified. Then, in his words, "if any significant difference occurred . . . this was attributed to the information content of the audit qualification." The difficulty arises because of the near impossibility of finding, for a group of companies with qualified accounts, a comparable set of companies which are identical except in so far as they have "clean" accounts.

For example, most companies that receive a "going concern" qualification do so because of their alarmingly high debt levels, and it is perfectly plausible to believe that when a company announces high debt levels the share price will be adversely affected. Of course, it is also plausible to believe that an audit qualification contains information beyond that which the analyst could have found out for himself by looking at the debt. Thus it is not easy to discover whether it is the debt, the audit qualification, or something entirely different, which causes the price movement.

In other words, since an audit qualification will frequently be published alongside other adverse information, it is not clear whether it is the qualification *per se* or the underlying information which is important. Hence, given the necessary limitations of preliminary announcements, it is by no means clear that the earlier announcement of the status of *the audit report is the highest* priority.

Michael J. Barron
(Lecturer in Accounting).
London Graduate School of Business Studies.
Sussex Place, Regent's Park, NW1.

EEC textiles battle

From the Head of the UK Offices, Commission of the European Communities

Sir,—I am sorry to have to return to this *issue, but in his* letter (June 23) Mr. Beson makes an implied accusation of bad faith which I am afraid I must contest. He alleges that the Commission made a deal on *textiles without the knowledge of* the member states. Having spoken with the Commission's negotiator, who discussed the proposed talks with the representatives of all the member *Governments, I can only* categorically reaffirm that Mr. Beson's allegation is unfounded.

We realise that the Community's procedures for negotiating with non-member countries may seem complex and can give rise to misunderstandings. If there is a misunderstanding over this difficult problem of Portuguese textiles, and if Mr. Beson is *seeking to explain it* by attributing bad faith to the Commission, I am afraid that he is wrong.

On the question of consultation, the Commission is bound to consult with the member states on its negotiations with non-member countries; but it is not the normal custom to discuss with other parties the details of a negotia*tion in progress. It is, however,* the Commission's firm practice to consult with the European trade unions on the Community's policy on synthetic fibres—as I stated in my previous letter. Reference to a Hitlerian "new order," in this context, are irrelevant, to say the least.

Richard Mayne.
*20, Kensington Palace Gardens,
London, W8.*

Today's Events

GENERAL

EEC Foreign Ministers end two-day meeting, Luxembourg.

U.S. Senate reconsiders Anglo-American double taxation treaty following deletion of controver*sial clause exempting British* companies from unitary tax provisions in certain states.

Mr. W. Wapenhams, World Bank vice-president, chairs three-day meeting opening in Paris to discuss further aid to Zambian economy.

Comecon annual summit opens in Bucharest (until June 30).

Hr. Helmut Schmidt, West German Chancellor, ends two-day visit to Nigeria.

Sir Leslie Murphy, chairman, National Enterprise Board, speaks at Foreign Press Association lunch, 11, Carlton House Terrace, S.W.1.

Confederation of Shipbuilding and Engineering Unions' conference opens, Eastbourne (until *June 30*).

Second and final day of Financial Times conference on Scottish Finance and Industry, Edinburgh.

International Whaling Commission annual meeting continues, Mount Royal Hotel, W.1.

Road Safety Exhibition opens, Old Library, Guildhall, E.C.2 (until July 7).

PARLIAMENTARY BUSINESS

House of Commons: Remaining stages of *Employment (Continental Shelf)* Bill, House of Commons (Administration) Bill, and Parliamentary Pension Bill.

House of Lords: Transport Bill, committee. Judicature (NI) Bill, consideration of Commons amendments. Community Service *by Offenders (Scotland)* Bill, second reading. Petroleum regulation orders.

Select Committees: European Legislation (sub-committee 1). Subject: Sheepmeat marketing. Witnesses: Imported Meat Trade Association, Scottish NFU (10.30 am, Room 15). Nationalised Industries (sub-committee A). Subject: Innovations in rural bus services. Witnesses: Transport and General Workers' Union (4 *pm, Room 8*).

COMPANY RESULTS

Final dividends: Equity Consort Investment Trust; First National Finance Corporation; Halma; Imperial Continental Gas Association; J. Jarvis and Sons; Property Holding and Investment Trust; Standard Chartered Bank. Interim dividends: Ashdown Investment Trust; BAT Industries; SGB Group.

COMPANY MEETINGS

British Shoe, 40, Duke Street, W., 11.10. British Syphon Inds., Sheffield, 12. English National, 11, Austin Friars, E.C., 12. Equity Capital Ind., 20, Aldermanbury, E.C., 5. Executex Clothes, Leeds, 11.30. Foseco Minsep, 36, Queen Anne's Grove, S.W., 12.30. Mappin and Webb, 40, Duke Street, W., 10.30. Sears Holdings, Selfridge *Hotel, W.*, 12. Sears Engineering, 40, Duke Street, W., 11.15. Silentnight Holdings, Manchester, 11. Wire and Plastic Prods., Folkestone, 3.15.

COMPANY NEWS + COMMENT

Whitecroft down £0.75m to £4.25m

IN LINE with indications in their interim statement, the directors of Whitecroft, textiles, engineering and construction group, report taxable profits down from a peak £5m. to £4.25m. for the March 31 1978 year.

At half-way, profits were down from £2.16m to £1.78m and although directors said they expected second-half results to be substantially ahead of the first half, they added that the group would not achieve the profits for the 1976-77 year.

Stated earnings per 50p share are down from 48.4p to 35.18p and the dividend is stepped up to 13.4p (12p) the maximum permitted, as forecast, with a final payment of 9p net.

Turnover for the period was £55.11m and excluded that of George Longden and Son, which was closed during the year. For 1976-77 turnover was £55.96m but included £6.6m from Longden. Also included in the turnover for 1977-78 was the group's share of associates turnover, with the comparative figure being restated.

There was an extraordinary debit of £0.75m for the year, representing mainly the loss on closure of Longden and includes the trading loss to the date of closure. Last time there was an extraordinary credit of £0.55m which has been restated to conform with a change in accounting policy for goodwill.

Since the end of March the group has acquired Moorlite Electrical for £3.24m cash: this company turned in pre-tax profits of £0.71m for the March 31 year.

Net tangible assets per share of Whitecroft were 228.77p (215.31p).

● comment

Whitecroft's profit shortfall was held at 13 per cent in the traditionally more important second half following the 18 per cent slide in the first six months. Profits from textiles now account for half the total though last year's contribution fell from £2.4m to £2.2m before tax. Sales here were mainly affected by low consumer demand for Whitecroft's household products and cheap imports, while reduced orders from the company's largest customer added to problems. The building side is now concentrating on smaller contracts while the recent closure of loss making subsidiary George Longden will accelerate this process. Orders, however, are still hard to find and margins have been squeezed. Building and engineering supplies were hit by much lower profits from the Belfast subsidiary which contributed only £100,000 against £½m last time. But the group's two engineering companies are both doing well and with Whitecroft in acquisitive moods this sector looks its likely target. At 207p the shares are on a p/e of 5.6 and yield 10 per cent.

DRUMMOND INVS.

A petition seeking the winding up of Drummond Investors, the financial services company, was adjourned for a week in the High Court yesterday. Mr. Justice Oliver granted the adjournment after learning that a scheme of arrangement for the company was to be put before a judge for his approval on Monday.

INDEX TO COMPANY HIGHLIGHTS

Bankers Trust hopeful

In his annual statement, Mr. H. C. Baring, the chairman of the Bankers' Investment Trust says he is hopeful that the current year's results will produce higher earnings and dividends.

As already known, pre-tax revenue rose from £1.59m to £1.67m for the year to April 30, 1978, and earnings per 25p share were better at 2.594p (2.414p). The dividend is lifted to 2.55p (2.3p) net.

During the year, the directors decided to invest more in the U.S. and to make an initial investment in Japan and to pay for this the large holding of Emprunt 7 per cent FFr 1,000 Bonds was sold.

A start has been made in reducing the company's holdings of Water Board preference stocks and this has had an adverse effect on revenue, but should improve its capital position, the chairman adds.

The 20 largest equity investments by market value at the year-end amounted to £9.48m or 31.1 per cent of the total portfolio of £30.46m (£28.26m). Unrealised surplus on investments stood at £14.06m (£12.23m).

At April 30, 1978, Prudential Assurance Company held 9.5 per cent of the equity, Scottish Widows Fund and Life Assurance Society 9 per cent, London and Manchester Assurance Company 6.5 per cent and Pearl Assurance Company 6 per cent.

Meeting, Winchester House, EC, July 18, at 2.30 pm.

Advance seen by London Prudential Inv.

In spite of worries over worsening inflationary trends in the UK and U.S. the directors of London Prudential Investment Trust continue to believe there are attractive investment opportunities around and that the company should remain fairly fully invested, says Mr. M. B. Baring, the chairman.

By this time next year they hope to show an increase in asset value as well as income growth, he tells members.

As already known for the year to April 30, 1978, revenue before tax improved to £263,589 (£223,901) on gross revenue of £297,373 (£262,008) and the net dividend is raised to 2.85p (2.4p) per 25p share. Mr. Baring points out that the dividend increase has almost kept pace with the increase in the cost of living and the directors hope to be able to maintain this trend for another year.

Meeting, 20, Fenchurch Street, EC, on July 19 at 11.45 am.

Upturn at J. Grant (East)

For the year ended January 31, 1978, pre-tax profits of James Grant and Co. (East) (house furnishers), rose £105,000 to £788,000 with turnover increased from £12.8m to £14.4m.

In his annual statement with the accounts, Mr. H. Oppenheim, the chairman, says sales for the first three months of this year are slightly ahead of last year and, providing the general economic climate remains stable, the directors look forward to another satisfactory year.

An upturn in consumer spending is expected at the end of the year, but there is, as yet, no sign of any large increase, the chairman says.

The year's profit is struck after interest of £303,000 (£339,000) but includes a £10,000 (£87,000) decrease in deferred service charges. Tax took £434,000 (£332,000).

A maintained final dividend of 0.4375p maintains the total at 0.875p on the privately held capital. Earnings per 25p share are shown at 17.3p (17.2p). Extraordinary items total £31,000 (£315,000) and debenture redemption transfer takes £20,000 (£18,000).

Rhodesian Corporation

Profits of the Rhodesian Corporation amounted to £204,000 against £270,000 for the half-year ended March 31, 1978, before tax of £110,000 (£140,000). The profit last year totalled £685,000.

Revenue from farms and estates is of a seasonal nature and accrues almost entirely in the second half, the directors say. Present indications are that incomes from this source for the full year should show an improvement compared with 1977.

Dawson chief sees shortfall

THE UNUSUALLY favourable conditions which applied in the 1977-78 year are unlikely to be exactly repeated in the current year, says Mr. Alan Smith, chairman of Dawson International, in his annual statement. However, although sales volumes and margins are likely to be lower, the group is well able and better equipped than ever to meet this.

As reported on June 20 Dawson achieved record pre-tax profits of £15.53m for the March 31, 1978, year compared with £10.37m last time, on turnover up from £67.26m to £82.6m. The dividend is lifted to 3.7219p (3.3323p).

To date, order books are satisfactory against budgets, the chairman says, and it is the directors' intention to maintain the inherent strength and efficiencies of the group. Dawson owns world famous brand names which will be increasingly promoted in order to increase its share of world markets.

With their advisors, the directors are looking at acquisitions to broaden the group's existing business, and also in other related industries.

Mr. Smith says that the group is continuing its policy of installing the latest and most efficient machinery for its factories. For the year there was a planned expenditure of £4.5m and the chairman says that a further £5m is currently planned.

William Baird and Co. holds 28.3 per cent of the equity; Woodbourne Nominees 15.4 per cent; and Prudential Assurance 6 per cent.

Meeting, Edinburgh, July 18 at 11.45 am.

Statement Page 29

Downturn at Walker and Staff

DESPITE RISING from £61,495 to £71,847 in the first half, pre-tax profit at Walker and Staff (Holdings) fell from £197,840 to £180,697 in the March 31, 1978, year.

After tax of £15,967 (£36,465) and an extraordinary profit of £6,623 (£3,147) profit was £171,353 compared with £164,522. Turnover was £2.28m (£2m).

Earnings per 5p share are shown at 7.31p against 7.16p and the dividend is up from 0.5143p net to 0.57437p.

Comparative figures of the engineering supplies stockist and distributor are adjusted for ED 19.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
John Booth	1.97	Aug. 7	1.76	1.97	1.76
Brunner Inv. ......int.	1.85	Aug. 4	1.6	—	3.55
Cattle's	1.2	—	1*	2.2	2*
Country Gentlemen's	16.3	—	14.6	16.3	14.6
Cronite ......int.	0.80	—	0.73	—	2.42
Eldridge Pope ......int.	2.83	—	2.75	—	6.1
Sekong Rubber	6.39	Aug. 17	5.81	6.39	5.81
Trident TV ......int.	0.93	Sept. 5	0.85	—	2.83
Walker & Staff	0.57	—	0.51	0.57	0.51
Wilson Bros.	0.76	Oct. 3	0.76	1.4	1.26
Whitecroft	9	Aug. 15	9.67	13.4	12

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Regalian group loss reduced to £1.95m

GROUP results of Regalian Properties for the year ended March 31, 1978, show a loss before tax of £1.95m compared with a £3.75m deficit in the previous year. The loss per 25p share is stated as 47.247p against 80.09p.

However the directors point out that as a result of the release of the parent company from its guarantees and obligations in respect of its subsidiaries, the group loss does not diminish shareholders' funds.

The parent company results are therefore deemed to be of greater significance to shareholders and show a profit of £337,207 (£83,653) on higher turnover of £438,382 against £171,360. Earnings per share are 7.58p (1.88p).

Turnover for the group rose from £3.13m to £6.21m. The loss was after crediting interest adjustment in prior years of £304,964 (£24,476) but before tax of £61,711 (£64,731). There is also a provision of £89,960 (£24,529) against investment in joint companies.

It has been emphasised in the past that shareholders' funds are derived from profits of Regalian Properties Ltd. and these profits arise mainly from the management agreement, the directors state.

It would be prudent therefore to sound a note of caution for as the group's turnover increases there is an inevitable decrease in stock which will affect turnover and hence profitability in future years.

Current trading gives rise to a reasonable expectation of the maintenance of profit levels in the present year but the replacement of stock at reasonable cost will be no easy task.

The Board is investigating various commercial and industrial schemes with a view to establishing alternative sources of profitability.

Winding up orders

Orders for the compulsory winding up of 47 companies have been made in the High Court. They were:—

Sports and Gift Centor (Dulwich), J. Smith and Son (Swansea), Penybryn Investment, R. Harvey and Co., Stratton Estates (Holdings), Twitchen Properties, T. Leyland and Sons (Joiners), Wakelin Engineering Co., Hollesley Park Farm, Invigorating Property Trading Co., Manor Developments (Ipswich), Olympia Motor Auctions (Derby), Raymond Butcher and Son (Watford), Nick Eziefula, VST (UK), Nefshire, Results Cleaning Services, A. T. Hamm, Abby-Ray Trading Co.

Bay Engineering (Plymouth), Business and Trade Exhibitions (Blackpool), Freelane Sales, John Jackson (Planthire), Wynbourne Engineering, Costello Printers, Square Deal Garden Supplies, Tara Furniture, Harpforth Investment Consultants, Rob Walkers (Winton), Ingzia, Halecard, Jeknar.

Pegasus Household Goods, SB Independent Radio Studios, Vulleon, Five Star Maritime, Eurotone, The Great American Success, North Midland Electrical, Ronsol Insurance Brokers, Overmark Smith Warden, Betabet, Danny Quastel (Bookmakers), H. Silverstone and Sons, Tiger Styles, Bealull, and Cherland Properties.

First half rise by Cronite

FIRST HALF profits before tax of the Cronite Group increased from £115,000 to £153,000 and should continue to show an improvement for the year, the directors say.

The interim dividend is raised from 0.73127p to 0.80437p per 25p share. For the year ended September 30, 1977, the total was 2.41875p from pre-tax profits of £272,687.

Turnover for the first six months amounted to £3.7m against £2.75m. Profit is before tax of £80,000 (£58,000).

The group is in investment holding with subsidiaries engaged in design, production and sale of castings and fabrications in nickel and chromium alloys.

Wilson Bros. tops £1m

THE SUBSTANTIALLY higher profits expected by Wilson Bros., publisher of greeting cards, for the year ended March 31, 1978, turn out to be a 37.1 per cent. rise to a record £1.09m from turnover up 20.2 per cent to £12.51m.

First half profits had increased from £346,174 to £486,029.

A net final dividend of 0.757p raises the total from 1.257p to 1.403p. If the income tax rate is reduced before the AGM on August 9, an appropriately increased final will be recommended, the directors say.

The accounting policy relating to ED19 gives rise to a tax charge in the accounts of £374,107 and the application of this policy requires a restatement of the tax charge in 1977 from £243,574 to a credit of £8,070.

As a result earnings per share for 1977 have been increased from 4.77p as published in the 1977 accounts to 6.95p. Earnings per share in 1977-78 are 6.19p.

	1977-78 £	1976-77 £
Turnover	12,511,968	10,407,778
Trading profit	1,409,808	1,192,910
Greeting cards, etc.	1,437,327	1,165,472
Loss prop. devélt.	4,670	51,002
Investment income	37,151	78,440
Expenses	99,977	68,454
Interest charges	293,896	331,614
Profit before tax	1,086,945	792,842
Tax	374,107	†8,070
Extraordinary credit	177,828	—
Attributable	890,666	800,912
To capital reserve	177,828	—
Interim dividend	74,414	57,596
Final dividend	87,201	87,201
Retained	551,223	656,115

† Credit.

weeks of 1978 with sales up 25 per cent on the comparative figures for last year.

Overseas hotels produced an increase in trading profit of 94 per cent with most of the increase arising from the Hotel de France et Choiseul in Paris, while the Park Hotel in Amsterdam produced a small improvement.

During the year the London hotels were professionally revalued at £16,155,000 to produce a surplus of £5,611,535.

The directors have again reviewed the group's investment in City House Copenhagen. Although the rental income has increased during the year, because of exchange rate fluctuations and local property conditions, it has been decided to carry the investment at the same value as in 1976 and a provision of £619,735 has been made.

Meeting, Sherlock Holmes Hotel, W. July 18 at 11.30 am.

Pentland sees first half jump

Mr. Stephen Rubin, the chairman of Pentland Industries, told the annual meeting that turnover and profits for the first quarter of 1978 showed a marked improvement and anticipates that the half-yearly statement will show a significant advance despite the development costs of new ventures.

Pentland's principal subsidiaries engage in marketing, importing and exporting all types of merchandise.

Adda looks to further profit growth

Following the £1.3m turnround to a profit of £936,000 in 1977 Mr. D. D. Garcia, chairman of Adda International says that he anticipates further growth in hotel profits both in UK and overseas in the current year.

Last month Mr. H. J. Edwards and associates acquired 5.25m shares in the group from the chairman and the executors of the estate of Mr. A. A. Garcia. Following completion of this deal Mr. Garcia will resign as chairman and managing director and will be succeeded by Mr. Edwards who will become chairman and chief executive. Mr. M. Thompson will join the Board as managing director.

Commenting on the results the chairman explains that profitability of the continuing London hotels again increased substantially in 1977 with trading profits more than doubling on a sales gain of 35 per cent. The pattern of growth in sales and trading profit has continued in the first 20

Cattle's turns in £1.5m for year

FOLLOWING THE £112,000 increase to £608,000 in the first half, pre-tax profits of Cattle's (Holdings) rose from an adjusted £1.22m to £1.5m in the year ended March 31, 1978. Turnover totalled £34.5m against £28.9m.

The profit is up 23 per cent on the previous year's adjusted figure. Had the same basis been used this year, pre-tax profits would have been £1.58m, against £1.27m, a rise of just under 24 per cent.

Turnover in the first two months of the current year is almost 30 per cent ahead of last year compared with a target of 20 per cent, the directors say. Costs of borrowing have moved up sharply recently, but despite this prospects for the year look extremely good.

Basic earnings per share are shown at 4.47p (3.28p) and the net final dividend is 1.2p against an equivalent 1p, effectively raising the total from 2p to 2.2p. A one-for-five scrip is also proposed.

Mr. R. Wandby, the chairman, says trading profits have topped £2m for the first time and are almost 39 per cent above last year's figure. The two-year period shows a 131 per cent growth over the 1975-76 trading profit of £891,000.

In the Shopacheck domestic side of the financial services division 10 new branch offices were opened during the year and two more added through acquisitions. The Grimsby and Huddersfield branches were augmented substantially by acquistions.

Despite the drag on earnings as a result of new branch openings in the early years of development it is intended to continue physical expansion in this way and 10 new locations have been earmarked for the current year, the chairman says.

Cattle's Holdings Finance turnover increased 64 per cent and pre-tax profits more than doubled. Branch offices increased from seven to 11 and three existing offices were re-located in more suitable premises.

Disappointing results in the retail side of the group's activities have been a cause for concern over recent years and the Davis of Bond Street store in Hull and the White House store in Derby ceased trading on March 31, 1978.

The Derby store has since re-opened as a Ewbanks Discount Centre and expansion of the Ewbanks operations in other areas is planned for the current year.

The insurance broking companies now operate under Cattle's Insurance Brokers, and several new offices have commenced business together with the acquisition of Barraclough and Bowden in Rotherham.

Hadrian Computer Services continued to progress with turnover up 40 per cent and pre-tax profits up 65 per cent.

● comment

Cattle's has managed to keep pace with the national increase in new credit with customer accounts up by more than a fifth to £15.1m. Although this was mainly responsible for extending the level of borrowings by a third to £6.8m, lower interest rates have reduced bank charges from £0.58m to £0.52m, and profits for the year are 23 per cent higher, compared with Provident's 30 per cent rise for a roughly similar period. Apart from the dominant trading checks side, which has had the benefit of some physical expansion, Cattle's has made good progress in its hire purchase division where sales are 64 per cent higher at just over £3m and profits have more than doubled to £0.12m. But retailing continues to disappoint and losses are up from £15,000 to £50,000. However there is a good chance that this division will be trading in the black now that the Hull store, which incurred a loss of £0.1m, has been closed. Higher interest charges will increase the cost of borrowings in the current year, so the company will be banking on a sharp upturn in consumer spending. At 35½p, the shares are on a p/e of 7.7 while the yield is 9.7 per cent compared with Provident's 8.2 p/e and 8.1 per cent yield.

ISSUE NEWS

Variable rate stock from Sefton

Metropolitan Borough of Sefton is placing £3m variable rate Redeemable Stock 1983 at £99¾ payable in full on issue. It is redeemable on June 29, 1983.

Interest will be paid on June 29 and December 29 with a first payment of £5.5930 per £100 stock on December 29, 1978.

Dealings are expected to start on Thursday. Stock of £300,000 will be available in the market on June 27 in accordance with the requirements of the Council of The Stock Exchange.

Brokers to the issue are Phillips and Drew.

EXCHEQUER 5%—NO CONVERSION

The Bank of England announces that the Treasury will make no conversion offer in respect of holdings of 5 per cent Exchequer 1976-78.

This stock will be redeemed at par on September 26, 1978. Redemption request forms will be issued on July 26, 1978.

LANDSIT gives priority to letting vacant space

THE IMMEDIATE priority of Land Securities Investment Trust is to let the vacant space in its investment and development properties, Lord Samuel, the chairman, says in the directors' report with accounts.

In the March 31, 1978, year the group substantially reduced the amount of unlet space, with the estimated annual rental value of unlet properties cut from £11.2m to £5.5m.

Of the total £3.62m relates to properties completed at balance date, £1.15m to those properties to be completed in the year and the remainder to those due for completion after March 31, 1979.

Lord Samuel points out that after making adjustment for the rental value of voids in properties sold, in new revitalisations and in developments begun in the year the total rental value of the group's unlet properties was reduced by some £5m.

There are signs that LANDSIT will be stepping up its development programme, which has been severely curtailed since 1974.

Lord Samuel says improvements in opportunities for development are now evident and the group intends to take advantage of these opportunities with its own properties as they arise, as well as to undertake revitalisation works. "It is not foreseen that these would be on a large scale," he says.

With the curtailment of development, outgoings on properties have fallen, leading to last year's decision to no longer make transfers from the capital reserve to cover outgoings.

But the group's Articles are not to be altered to delete or amend the clause allowing such transfers. Should circumstances materially alter in the future the company may well wish to consider recommencing the practice, he says.

But he points out that should the group move back into large scale development it would be a few years before outgoings on any new programme rose to an appreciable level.

Development properties are shown in accounts at £52.54m compared with £75.7m previously.

LANDSIT faces a repayment of some £42m on its U.S. dollar loan in February and the chairman says that short-term funds are sufficient to cover this, liabilities outstanding at March 31, and to fund the remaining capital expenditure on development properties. Capital spending is shown in the accounts at £8m compared with £32.9m previously.

The recent sales programme to finance these liabilities is now concluded. At balance date the group had short-term deposits of £88m against £63.02m.

Property sales last year totalled £64m, and four City properties were completed fully let. The major development adjacent to Fenchurch Street Station has been completed and is now available for letting.

As already reported available income for the year was £12.85m (£12.66m) after outgoings of £3.78m on development properties.

For the future directors are confident that in the absence of unforeseen circumstances income available for distribution for the current year after deducting the net outgoings of development properties will permit an increase of 10 per cent in the rate of ordinary dividends on shares now in issue and those which would be issued in the event of full conversion of existing 5½ per cent loan stock in September.

Meeting, Piccadilly, W, July 18 at noon.

See Lex

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BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Ashdown Investment Trust, BAT Industries, SGB.

Finals—Caird (Dundee), Equity Consort Investment Trust, Halma, Imperial Continental Gas, LCP Property Holdings and Investment Trust, Renwick, Standard Chartered Bank, Tecalemit.

FUTURE DATES

Interims—	
Allied Textile	July 20
Eurotherm International	June 29
Finals—	
Bassett (George)	July 4
Braham Millar	July 5
Caledonian Associated Cinemas	July 3
Latham (James)	July 10
Mansfield Brewery	July 5
Meyer (Montague L.)	July 17
Shaw Carpets	July 6
Stanhope General Investment	July 19

Eldridge Pope up at mid-term

BEFORE EXTRAORDINARY profits of £69,541 against £17,186 previously, taxable profit of Eldridge Pope and Co. rose from £329,685 to £355,122 in the March 31, 1978, half year.

Turnover of the maltster and wine and spirit merchant was £5.77m, compared with £5.1m.

The interim dividend is up from 2.75p net per £1 share to 2.83p. Last year on record pre-tax profits of £1.09m a 3.35p final was paid. The company has close status.

Improvement expected at Brunning Grp.

Preliminary budgets at Brunning Group indicate that it should continue to increase turnover and profits in the current year, Mr. Geoffrey Brunning, the chairman, says in his annual statement.

As previously reported pre-tax profit in the March 31, 1978 year climbed from £0.68m to £0.81m.

Among subsidiaries, Circular Distributors has begun the year with forward order books healthy, while current indications are that the caravan operations will have a much better trading year.

With boat building, the company has reached capacity with no room for expansion, but a new factory in Northants will be in production by next summer. The printing side is expected to do better while silvering capacity at Novolor (Glass Processing) has been increased 2½ times.

At balance date net current assets were £2.37m (£2.22m) and fixed assets £1.38m (£1.23m).

Meeting, 100 Whitechapel Road, E, July 21 at 12.15 pm.

Readicut plans to spend over £20m by 1983

OVER £20m of capital expenditure is planned by Readicut International by 1983, with £5.9m being envisaged for the current year, says Mr. P. J. F. Croset, chairman, in his annual statement, with the major spending in the manufacturing division (textiles) and "others." And the group is planning for higher sales and profits in the 1978-79 year.

As reported on May 18, with turnover up from £67.72m to £76.38m pre-tax profit of the group for the March 31, 1978, year advanced from £7.22m to £7.59m and the dividend is increase to 1.58603p (1.42p) per share. Exports rose by 23 per cent to £21.77m.

On a CCA basis pre-tax profit is adjusted to £4.81m after depreciation adjustment £1.63m, cost of sales £1.38m and the gearing factor £0.24m.

In the retail division Mr. Croset says prospects for the current year, with lower inflation and larger disposable incomes, are much healthier and an improvement in both sales and profits is anticipated.

Firth Furnishings in the manufacturing division (textiles) has the necessary capacity available to meet the rising output levels predicted for the automotive industry at home and abroad, he says, and the present popularity of its product range in all sectors augurs well for the future.

The remaining companies in this division will do better, he adds, in the current year for they start with better order books and they are producing "articles which inculcate a higher technology either in their production or their finishing, both of which make it more difficult for competition to follow."

Prospects are brighter in the yarns division, as margins continue to improve and the benefits of research on new manufacturing methods come into use for yarn production; he says there is every indication that the current year may be better both for sales and profit.

At Dunlicraft in the "others" sector, further growth is seen, with increasing opportunities for exporting. "The remaining companies in this division all anticipate improving their contributions during the year ahead," Mr. Croset states.

Prospects in manufacturing division (carpets) look more encouraging, he adds. Sales to the U.S. should benefit from the strengthening of the U.S. dollar but Australia will remain an exposure.

Present indications for the group's overseas activities are that performance will improve, but profits may not reach the record level achieved in 1976-77.

Meeting, Great Eastern Hotel, EC, July 20, at 12.30 pm.

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PORTSMOUTH AND SUNDERLAND NEWSPAPERS, LIMITED

SIR RICHARD STOREY'S STATEMENT

Lord Buckton

On February 17, the eve of his 82nd birthday, the Company's President, Lord Buckton, died. For over 50 years he had led and served the Company. The Board and I now publicly record our admiration and appreciation of the wise judgment, exacting standards of excellence, integrity, and personal example of energetic and inspiring work with which Samuel Storey, Lord Buckton, marked the long period of his service to the Company.

Results

The financial results recorded in this year's report and accounts are undoubtedly good. The Company's large capital investment in the South is now beginning to earn a proper return. The present trend in advertising volume and newspaper circulation is encouraging. It is, however, salutary to note that the Company's first current cost accounting statement shows a profit before tax of £1,554,000 compared to the £1,925,000 stated on a historical basis.

New Equipment for Portsmouth

Management has continued negotiations with the production unions to enable the most modern composing techniques available to be used at The News Centre, Portsmouth. Some of the new equipment has been installed and it is hoped that the rest will follow soon. The Board remains determined that optimum use shall be made of this machinery for the benefit of shareholders, employees, readers and advertisers: however, in order to secure agreement at this stage, it has been necessary to defer the full and proper use of the equipment.

New Technology in the provincial press

There has been too little pressure nationally from the leaders and members of the Newspaper Society towards negotiating the introduction into the industry of the newest composing technology—increasing use of which is now being made in many other countries. Continuing inactivity can only damage the provincial press generally and will lead newspapers, unless they can negotiate satisfactory solutions independently of the Newspaper Society, to that jungle from which some national newspapers are now so feverishly and belatedly trying to extricate themselves.

Development at Hartlepool

At the Mail, Hartlepool, a programme of modest development has been started to improve working conditions for the staff and raise the quality of the paper so that the profit from this office may be increased.

Lack of progress in Sunderland

I said in my 1976 report that the Company's development in Sunderland, where web-offset full colour printing and computerized photo composition in a new building had been introduced, would "avail the Company nothing . . . unless all involved are now willing to concentrate on producing the finest paper possible with the new plant and premises which have been designed to use modern methods and give employees the maximum comfort and pleasure". Now, two years later, I regret I have to say that it still has not been possible for management to secure from the production unions the necessary agreement whereby anything like "the finest paper possible" may be or is produced. Not only does this deny to the public the high quality newspaper for the production of which the Company has invested large sums of money, but it also severely limits the work of the rest of the staff who are doing their best, as is evidenced, for example, by the fact that journalists from this office have won the award of "Provincial Journalist of the year" for the second time in the last three years. Obtaining an agreement for proper productivity and the full use of colour facilities is now extremely urgent.

News Shops

I am delighted to report that the optimism which I expressed last year for this year's profit from News Shops was well founded. A useful contribution has been made by this subsidiary and I hope that the number of shops it owns will increase so that profitability may continue to rise.

Local Radio Investment

Two of the radio stations in which the Company has an interest—Metro Radio (Tyne and Wear) and Radio Tees (Teesside) have begun to produce small profits, and the third, Radio Victory (Portsmouth) is moving towards profitability. I hope, therefore, the Company will soon receive some return on its investments.

Developments in management

The Company is strengthening its Board and management by recruiting a specialist in industrial relations and much attention has recently been paid to this subject generally. A management development programme including concentration on training has been started. The Board has established local management committees and delegated to them greater authority than had hitherto been conferred locally. Management consultants and the Industrial Society have helped to advise on many aspects of these subjects.

Circulation Growth

The Company is increasingly using market research in order to improve its sale of newspapers and advertising space. Such research, for example, has shown that readers of the Echo, Sunderland, have a higher degree of trust in its advertisements than in those of any other mass communication. Inevitably there have been increases in the prices of almost all the Company's newspapers and in advertising rates: these have been accompanied by heavy promotion campaigns which, together with an improvement in the content and the design of most of the newspapers, has resulted in buoyant circulation. A major aim now is to regain our previous level of household coverage—that is to say the proportion of households in each circulation area taking the Company's evening newspapers. Achieving this target would mean that, with the population growth in our three areas, a significant increase in circulation would be achieved.

Advertising Volume Continued Increase

The volume of advertising in each of the Company's evening newspapers continues to rise: I am more confident that advertisers are willing to pay enhanced rates for provincial newspaper space than that readers are prepared to pay frequently rising cover prices. Each of the evening newspapers is now selling for slightly less than many others in the country: advertising rates have been increased by as much as was thought reasonable. Of course, optimum use of modern technology would help stabilize both cover prices and advertising rates.

Staff

Apart from the exceptions already mentioned, all the Company's staff have worked enthusiastically towards the goal of providing the public with the best possible service and I thank them warmly for this. Progress at The News Centre has been particularly good and I believe that the content and colourful production of the Company's newspapers there is now probably as good as anywhere in the world—as is the printing of other publications for an increasing number of outside customers. This immodesty may be justified by the number of national awards for newspaper design, printing and content, which have been won by this office.

Board

In September, Mr. A. D. W. Hoskyns-Abrahall left the Board and I thank him for the service he gave to the Company and wish him well in the new work he has chosen.

MINING NEWS

A mine under a mine for De Beers

BY KENNETH MARSTON, MINING EDITOR

THE ANTICIPATED go-ahead for a major new diamond mine for **De Beers** near Pretoria comes with the news that the necessary negotiations have been completed with the South African Government.

The new mining property is, in fact, a downward extension—below the gabbro sill intrusion—of the Premier mine which started production in 1903. Apart from being a major producer of industrial diamonds, Premier has yielded famous gem diamonds such as the huge Cullinan of 3,106 carats in the rough state: the Niarchos: the Transvaal Blue and the Taylor-Burton.

Ironically, as Mr. Harry Oppenheimer was at some pains *to point out in the 1976* annual report of De Beers, Premier has not paid a dividend on its deferred shares for over 50 years and the preference payments are 20 years in arrears. The prospects of being able to mine economically the new deeper area have thus been entirely dependent on more lenient tax and lease arrangements which have now been obtained.

Limited output is planned for the first quarter of next year from the first production area—L1—below the gabbro sill which has reserves of 14m tonnes of kimberlite at a grade of 72 carats per 100 tonnes. Below this deposit lies some 100m tonnes of kimberlite which should be ready for mining by 1987.

Production at the L1 area should rise from 900,000 tonnes a year in 1981 to 1m tonnes in 1983 and a maximum 1.2m tonnes in 1985. Premier's existing mining area still contains some 40m tonnes and last year the mine treated 7.07m tonnes at a grade of 28.42 carats per 100 tonnes.

The resultant diamond output of 2.01m carats compared with the total recovery of all De Beers' diamond operations of 11.81m carats. It is reckoned that the opening up of the new area below the gabbro sill will extend the life of the overall operation at Premier to at least the end of this century.

FLUORSPAR MINE FOR SOUTHLAND

Southland Mining hopes to start mining at its Pianciano fluorspar deposit near Rome in 1980, Mr. Maurice Messara, the chairman, *told* shareholders in Sydney yesterday.

He quoted an appraisal by **B. L. Hodge and Partners,** the London consultants, which said that the deposit could sustain an annual output of 200,000 tonnes of metspar, the metallurgical grade fluorspar, for 16 years. Operating costs would be $32.76 (£17.71) a tonne of product.

Southland has been interested in Pianciano since 1971. Various other groups had looked at it in the previous 20 years but had lost interest because of problems *associated with the beneficiation* of the ore. Southland has successfully completed pilot plant testing.

Southland shares were up 5p at 30p yesterday.

ASA builds up ERGO stake

THE ATTRACTION of **East Rand Gold and Uranium** (ERGO) to U.S. investors has been emphasised by the disclosure, in its latest quarterly report, of a pur*chase of 137,000 shares by* **ASA,** a Johannesburg-registered company which acts as a vehicle for U.S. buying of South African mining stocks.

ERGO was established by **Anglo American Corporation** to treat *accumulated mine wastes and* extract gold, uranium and sulphuric acid.

ASA's quarterly report for the period to the end of May shows that it has acquired a total ERGO holding of 248,200 shares, worth £910,895 at yesterday's closing price of 367p. It began purchasing shares in the preceding quarter.

Switches in the ASA *portfolio,* which had a net asset value of R162.8m (£101.6m) at the end of May, R5.4m more than three months previously, act as a barometer of U.S. investment interest in South Africa.

In this connection, ASA has continued to build up its stake in gold mines with a significant uranium potential. Thus a further 15,000 shares in Hartebeestfontein have been bought, but 130,000 shares have been sold from its stake in *Blyvooruitzicht,* whose life is known to be limited *and whose ore grades are* expected to decline.

Other switches in the ASA portfolio were the sale of 17,000 shares in **Consolidated Murchison,** the troubled antimony producer, and the consolidation of coal *interests through the purchase of* 5,000 shares in **Amcoal** and 2,500 shares in **Tavistock Coal.**

ASA's net assets were worth R16.95 (£10.38) per share at the end of the May quarter against R16.39 at the end of the February quarter.

Agnico-Eagle: dividend talk

MR. PAUL PENNA, president of Canada's **Agnico-Eagle Mines** remains as *confident* as ever about the future of the company's gold and silver operations. Asked at the Toronto annual meeting: "When are you going to pay a dividend?," he replied: "Don't be surprised if we make *a statement before this year is* out," **reports John Soganich.**

Now free of debt and enjoying the benefits of higher gold prices—because of the fall in the Canadian dollar the price of bullion there is currently over *C$200* per ounce—the company expects to make an operating profit of C$2.5m (£1.2m) in the first half of this year and should do better in the second half.

The Joutel gold property in Quebec is getting into the higher grade ore from the first two of its new deep levels and an improved gold recovery is *anticipated from this ore.* An improvement is also reported at the silver operation at Ontario's Cobalt Camp where the recent "jewelry box" intersection was obtained of 2,231 ounces of silver per ton over two feet.

Meanwhile, the company has reached agreement in principle to acquire the former Castle Trethewey silver mine in the Gowganda district of northern Ontario. "We'll take a good shot at it," said Mr. Penna, adding that additional gold properties are being sought within a reasonable radius of the Joutel mine. Agnico-Eagle shares are around C$6.12 in Toronto.

OIL AND GAS NEWS

Sun Oil acquires 50 per cent of Fort Kent project

The U.S.'s **Worldwide Energy Corporation** says that its Canadian subsidiary, Worldwide Energy Company, has entered into a letter agreement with Sun Oil for the development of its Fort Kent heavy *oil project located in the Cold* Lake area of north-eastern Alberta.

Under the terms of the letter *agreement, Sun Oil is acquiring a* 50 per cent interest in the 4,000 acre heavy oil project. Sun Oil will pay 70 per cent of capital costs on the phase one expansion currently under way and estimated to cost C$3.5m.

They will also pay 70 per cent of the estimated capital costs of C$5.6m, for the phase two expansion planned for next year. At *Sun Oil's election, they could pro*ceed with phase three, currently planned to commence in 1981, and Sun Oil will pay 35 per cent of *the first C$137m of capital costs* for the phase three expansion and development.

The agreement provides that worldwide shall operate through phase one and phase two and Sun will become the operator if they elect to proceed with phase three. This agreement is subject to the approval of the Foreign Investment Review Agency of Canada.

An outside engineering firm has calculated that Worldwide Energy's Fort Kent project has 313m barrels of exploitable oil in place. This engineering study indicates that 85m barrels of oil could be recovered over a 20-year period at a sustained rate of *13,000 barrels per day.*

* * *

Texaco Canada says that tests of its Pembina 10-29 well in West Pembina, Alberta, indicated commercial production from the Nisku formation.

The tests were made below the 9,300 foot level. Testing continues to assess the reservoir.

West Pembina, near Edmonton, has been estimated to contain 20m barrels of oil, on the basis of oil companies' exploration so far, and is the most important oil discovery area in Western Canada in a decade.

* * *

Oil companies exploring off the west coast of Greenland apparently are giving up after disappointing results.

According to a report from Copenhagen, Greenland officials were quoted as saying that one consortium has stopped drilling and will relinquish its concession by the end of this year. Standard Oil (Indiana) is the operator of *this concession, and other partici*pants are Deminex of West Germany and Pan-Canadian of Canada.

The Greenland officials said several others among the 21 concession holders are also expected to abandon further exploration *because of the failures from* drilling so far.

* * *

Hudsons Bay Oil **and Gas and Dome Petroleum,** top bidders in the Alberta Government week land sale in Calgary, paid $5.2m, or $4,064 an acre for two sections, Township 48 and Range 12, in the West Pembina area. The acreage is adjacent to land where a gas blowout occured at Amoco-Pacific Petroleum's well last December. Dome and Hudsons *Bay also paid $4,004 an acre for* another tract in the same area.

* * *

Gulf Oil **Canada** will test a 350,000 barrels shipment of Mexican crude oil at its Montreal refinery late this month, for evaluation as a supplementary source of supply.

Gulf is the largest Petrochemical producer in the Montreal area. It is the first time Mexican crude will have been imported to Canada. Main sources are Venezuela, *the mid-East* and Nigeria.

William Pickles

The Annual General Meeting of the Company was held in Manchester yesterday. The following are extracts from the statement by the Chairman, Mr. C. Harold Buckley, submitted to the Meeting.

1977 must rate as a disappointing year for your Company, particularly after the encouraging results given in our interim statement. The figures for the year to 31st December, 1977 show turnover at £22,925,490 against £21,218,089 in the previous year, and Group profit before taxation fell by £59,056 to £817,082. Your Directors decided, in view of these figures, to *recommend the same final dividend,* 0.396p per share, as paid in 1977.

The downturn in sales in the last quarter of 1977 had an adverse affect on Group profits in view of the fact that a large percentage of your Company's turnover is manufactured *in Britain, and our margins were constantly* under pressure due to the intense competition from low cost imports manufactured in the Far East and elsewhere.

The policy of rationalisation commenced in 1976 is still being vigorously pursued, and I believe the benefits will become apparent when there is any real upturn in the British economy.

I would be less than honest, if I intimated that 1978 had opened up well. The retail trade, by and large, is not buoyant and the April Budget has done singularly little to give our economy the shot in the arm it so badly needs. I am, however, very optimistic and confident about the future of your Group. It is soundly based and the Subsidiary Companies are well diversified in garments for men, women and children, household textiles, soft furnishing fabrics, sportswear, upholstery fabrics and neckties.

The trade names, including Banner, Sparva and Uwin, enjoy a high reputation on the High Streets of Britain, and in many overseas markets. Changes have been effected in the Senior Management of certain Companies, and these changes *augur well for the future.*

Group Companies:
Henry Bannerman (Holdings) Ltd.
Wm. Chapman Ltd.: Glen Fabrics Ltd.
Harrow Fabrics (Int.) Ltd.: Macaseta Ltd.
Sparrow, Hardwick & Co. Ltd.
Susy Ware & Co. Ltd.: Uwin Sportswear Ltd.

WILLIAM PICKLES & CO. LTD. 101 Portland Street, Manchester M60 1EH

Trident TV advances at midway—record year seen

HIGHER TURNOVER of £35.96m against £30.13m and pre-tax profits up from £3.61m to £4.67m are reported by Trident Television for the first half year ended March 31, 1978.

The exceptional growth in television advertising revenue has shown signs of slowing since March *but the directors are con*fident that a satisfactory result will be achieved at the year-end with a substantial advance on last year's performance when a record pre-tax profit of £7.36m was reported.

The interim *net* dividend per 10p share is being stepped up from 0.848p to 0.932p—last year's final was 1.981p.

The interim pre-tax profit—after provision of £7.24m Exchequer levy—is an encouraging advance the directors say.

Advertising remained extremely buoyant and aggregate revenue showed an increase of 27.8 per cent on the *first half of 1977.*

Winter is the low revenue period for the leisure division. *Windsor Safari Park was closed* while a major improvement programme was implemented.

The scenery construction company, Watts and Corry, has continued to expand and its London-based subsidiary has been rehoused in a new and larger factory.

In Australia, trading continues to be difficult and unrewarding for everyone in television rental and the directors consider that the solution lies in rationalisation of the industry.

They are therefore engaged in discussions which should lead to a satisfactory outcome.

	Six months 1977-78 £000	1976-77 £000
Turnover	35,963	30,129
Profit before tax	4,671	3,608
Television contracting	4,190	3,018
Australia — TV rental, sales loss	34	†82
Other activities	515	558
Tax	2,500	2,050
Net profit	2,171	1,558
Minorities	14	14
Attributable	2,153	1,572

† Profit.

● comment

First half profits at **Trident Television** are up 29 per cent on the back of an advertising boom. Stripping out Australian interests and other activities, the figure is 39 per cent, although this falls short of Anglia's interim results which showed profits ahead by more than 50 per cent. There are signs, however, that the two-year feast could finally be coming to a close. Figures for April and May show advertising revenue in the television sector increased by *only 10.9 per cent and 9.1 per* cent respectively, though Trident says the picture looks a bit brighter for the rest of the summer. Costs are rising, but no rent card rises are planned at the moment and the discount season (historically, in Trident's case, about 20 per cent off normal rates) is in full swing. Meanwhile the joint overseas sales *venture with Anglia has got off to* a good start, though it is still a relatively small activity. The Australian *rental* business seems to have run into customer resistance but earnings from the leisure parks—negative in the winter close season—should come through strongly in the second half. With this boost the company could approach £10m for the full year. At 46p this puts the shares on a prospective p/e of 4.8 and a yield of 10½ per cent, which *is* in line with sector averages.

Reckitt Australia ahead

For the first six months to April 30, 1978, sales of Reckitt and Colman Australia, 69.7 per cent owned by Reckitt and Colman, were up *by 11.2 per cent* to A$75.44m and profit increased by 11.6 per cent to A$6.55m after interest, depreciation, minority interest and tax.

Mr. I. R. L. Harper, chairman, says that the sales percentage increase is lower than last time, reflecting the success of government policy directed at reducing the rate of inflation in the Australian economy.

On capital increased from a scrip issue, directors have declared an interim dividend of *6.25 cents per share* compared with the same amount on the old capital and they expect to pay a final, at least equal to last year.

John Booth slumps to £80,088

After a first half drop from £132,054 to £57,480 taxable profit of John Booth and Sons (Bolton) ended the March 31, 1978, year well down from £304,224 to £80,088 on turnover of £6.9m compared with *£6.02m.*

After tax of £62,189 (£165,348), extraordinary losses of £9,242 (£64,548) and minority interests of *£8,954 (£15,714)* the retained loss was £17,354 against a £43,261 profit.

Earnings per 25p share are given at 0.01p (14.06p) and the dividend is up from 1.76p to 1.97p net.

Tebbitt now better placed

The Tebbitt Group is to continue a policy of reducing its financial exposure to the tannery industry while still maintaining a viable business in leather. This will involve greater attention being paid to finishing and finished products and marketing than has been the case in the past, says Mr. H. Fletcher, the chairman.

In order to lessen working capital *demands* of the leather business it was decided to substantially run down the level of stocks of raw materials and partly finished goods. As a large proportion of these had been bought at relatively high prices (in rela*tion to last year's selling prices)* this policy involved incurring very large losses which contributed significantly to the total pre-tax loss of £214,442 (£24,588 profit) in 1977.

As a result of what was done *the group's financial position was* much improved in terms of net assets and reduced indebtedness. At December 31 last there were net current assets of £112,145 compared with liabilities of £18,286 at the same time a year earlier—*overdrafts were down from* £438,402 to £189,314, while stocks were cut from £624,570 to £402,897.

Apart from the running down of stocks, the group has been strengthened by the rights issue last November, which brought in £352,000, and by *the issue of* £240,000 of convertible loan stock at the time of the acquisition of two adhesive companies in April.

Meeting, 24, Portland Place, W., July 19 at noon.

Brunner Inv. Trust ahead to £315,207

From gross revenue of £606,499 compared with £496,856 net attributable earnings of Brunner Investment Trust were up from £276,345 to £315,207 in the May 31, 1978 six months.

Expenses totalled £107,154 (£39,376) including loan stock interest of £72,383 (£10,069), and tax was £176,283 (£173,260).

Earnings per 25p share are shown at 1.97p against 1.73p and the interim dividend is up from 1.6p to 1.85p net. Last year a 1.93p final was paid on total *attributable profits of £373,396.*

Second half collapse at Cummins

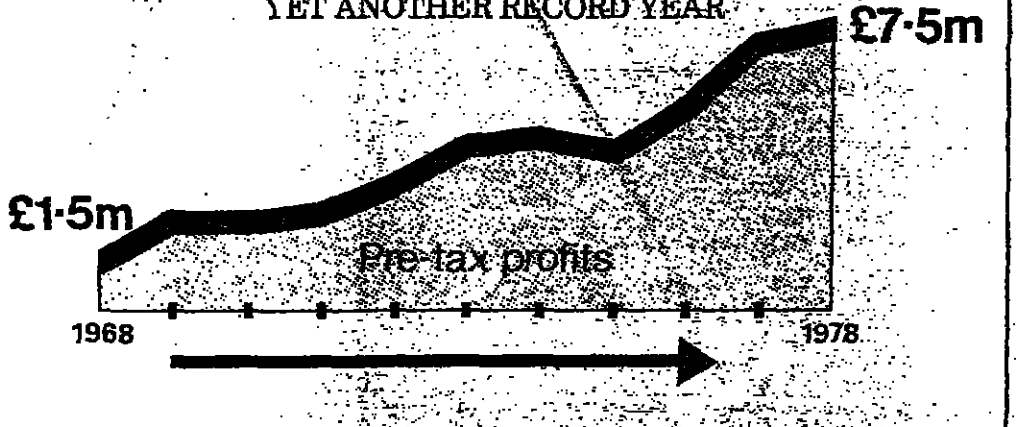
Second-half earnings at Cummins Engine Company collapsed from £3.14m to £0.33m leaving pre-tax profit for 1977 down from £8.3m to 5.14m.

Turnover for the year was ahead from £70.3m to £87.31m and after tax of £2.45m (£4.11m) net profit was £2.69m against £4.19m.

The company is owned by Cummins Engine Company Incorporated of the U.S. and again no dividend is to be paid.

Readicut

YET ANOTHER RECORD YEAR



	Year to 31st March 1978 £000	1977 £000
TURNOVER	76,380	67,720
Profit before taxation	7,586	7,219
Earnings per share	4.79p	4.76p
Dividends per share	1.586p	1.420p

Copies of the Report and Accounts can be obtained from the Secretary, Readicut International Limited, Horbury, Wakefield WF4 6HD.

Readicut International Limited

The House of Lerose Limited

Extracts from the Statement of the Chairman, Mr. M.K. Rose.

Profits for the year before tax amounted to £1,065,730 (1976/77 £1,203,996) before exchange rate adjustments and £1,003,694 (1976 £1,393,217) after allowing for an exchange loss of £61,036 (1976 profit £189,223).

In the second half-year our making-up companies both here and in Holland were not wholly successful in contending rising costs with a resultant effect on profitability. Sales, turnover increased to £24,348,497 from £21,825,105 an increase of approximately 12%.

Your Directors are recommending a final dividend of 2.1200p per share, making 3.9200p per share (1976 – 3.5678p per share), the maximum allowed.

During the year under review there has been a marked improvement in the performance of our textile companies. Jersey Trend, our knitting division, has had a good recovery and there is now a stronger forward order book than there has been for some time.

In Holland, Elvi have managed another increase in turnover and they have traded profitably. Jersey Trend Prints' market share of exclusive prints in Germany and Benelux has steadily grown.

"March-Set" has again shown quite remarkable growth, with demand increasing at a most gratifying level, and we look to the future expansion of this range with great confidence.

Love for perfection
Lerose

Copies of the Annual report are available from the Secretary, Henrietta Street, Birmingham B19 3PR.

BIDS AND DEALS

Swiss connection in Newman's Dutch deal

THE MYSTERIOUS Stanley Thomas Johnson Foundation of Switzerland has surfaced once again in the affairs of Newman Industries.

In February Newman announced that it intended to spend around £3m on acquiring a 31.25 per cent interest in a Dutch industrial fastening manufacturer, Avdel, plus an option to buy the remaining shares for a further £6.6m and an additional sum not exceeding $1m. The option expires next June.

Details of the deal were contained in a circular to shareholders yesterday which revealed that if Newman does not take up its option Stanley Thomas Johnson Foundation Curacao, which has granted the option and appears to be a significant shareholder in Avdel, has the right to buy back Newman's stake in Avdel.

It was the same foundation which bought Lonrho's 19.5 per cent holding in Newman in May last year and then sold it for £1.26m in October. Mr. Alan Bartlett, chairman of Newman and now chairman of the executive Board of Avdel, took up 200,000 of these shares, the remainder being placed among Newman associates and institutions.

The documents reveal that Avdel's directors are still forecasting *pre-tax profits of £2.2m* for the year to June 30. Last year pre-tax profits were £1.5m and turnover was £22m. In the last balance sheet Avdel's net worth was given as £3.8m which compared with long term borrowings of £7.2m and short term borrowings of £2.5m.

Under the terms of the agreement Newman is to refinance £876,000 of long term borrowings by December and if it exercises its option to buy the rest of the equity will refinance a further £3.9m by December 1980.

GREENALL WHITLEY

The offers on behalf of Greenall Whitley and Co. to acquire the issued capital of James Shipstone have become unconditional in all respects.

Acceptances have been received in respect of 20,240,310 ordinary (83.8 per cent) and 153,943 3.5 per cent preference shares (85.5 per cent) and 233,811 3.85 per cent preference shares (86.6 per cent).

Dealings in the new shares of 25p each in Greenalls to be issued pursuant to the ordinary offer are expected to commence today. It is intended to post renounceable share certificates of Greenalls and/or cheques for the cash consideration to accepting shareholders July 17, 1978.

The offers will remain open for acceptance until further notice. Greenalls intends to apply the provisions of the Companies Act, 1948, to acquire the outstanding shares in Shipstone in due course.

DIRECTOR SELLS TESCO SHARES

Mr. Hyman Kreitman, a former chairman of the Tesco supermarket chain and now a non-executive director, has sold 950,000 Tesco shares at 43p per share. The sale on Friday—two days after the company had announced lower profits—reduced his holdings by about half to around 1m shares. The Kreitman family trust also sold 1.5m Tesco shares at 43½p each on the same day, leaving a balance of 7.5m shares.

HAWKER SIDDELEY

THE OFFER by Hawker Siddeley Group for the ordinary shares of *Carlton Industries has become* fully unconditional. Acceptances have been received from shareholders of Carlton other than London Merchant Securities or its subsidiaries in respect of 52,725 ordinary shares of Carlton and, in fulfilment of the undertaking given by LMS, from a subsidiary of LMS in respect of 13,847,273 ordinary shares of Carlton. Total acceptances of the first offer have therefore been received in respect of 51.9 per cent of the issued ordinary shares.

The first offer is now closed and no longer open for acceptances. The consideration due under the first offer will be despatched on July 27, 1978.

Now that the first offer has become fully unconditional, completion of the agreement, under which Carlton is to acquire for cash from Hawker Siddeley's subsidiary, Crompton Parkinson, its lead-acid automotive and traction battery business based at Newport, Gwent, is due to take place on June 30, 1978.

TILLING CHIEF ON BID FOR FLUIDRIVE

It will take more than a consolidation of Fluidrive Engineering's fluid coupling activities on one site to provide a remedy for lower order intake and permanent strategy for future prosperity Thomas Tilling's chairman, Sir Robert Taylor, says in a letter to Fluidrive shareholders.

"We believe that in the trading climate outlined by your chairman (made at the time Fluidrive released its interim results), industrial transmission manufacturers must form more substantial groups in order to compete effectively in world markets and to offer an increasingly wide range of products to customers," Sir Robert said.

The letter accompanies offer documents Tilling has sent to Fluidrive shareholders giving details of its bid for the Fluidrive issued ordinary capital.

"In accepting our offer, you would be exchanging your investment in a narrow, technical field for one in a broadly-based and much larger international company with a progressive and sound record, wide opportunities for growth and great financial strength."

The Fluidrive Board, which has already rejected the bid, is currently examining the documents and is expected to mail its reply to shareholders within the next seven to 10 days.

BARCLAYS/ITC

Barclays Bank has written to shareholders urging them to vote in favour of the agreed offer for Investment Trust Corporation at an extraordinary meeting on July 12.

Under the terms of the deal, Barclays will buy ITC for £93m in shares and then sell it to the Post Office Superannuation Fund for £85m cash.

Mr. Anthony Tuke, chairman of Barclays, says in a letter to shareholders that the effect of these transactions will provide the bank with the opportunity to raise some £85m of new capital without the need to call on stockholders for additional funds, and to increase ordinary dividends by 20 per cent.

Adwest buys Duport subsidiary

By Christine Moir

In a move which will create a company with around a third of the steering gears market, Adwest, the Berkshire engineering group has bought a subsidiary of Duport, the West Midlands industrial holding group.

The company involved is Burman and Sons which is one of the leading independent manufacturers of steering gears, with a turnover last year of £20.2m, nearly half that of Adwest.

Adwest is paying £2m for Burman but it has also agreed to repay £2.7m worth of loans which Duport had made available to Burmah. These will now be refinanced through bank borrowings.

Profits from Burman last year were weak — £501,000 before interest, suggesting some £200,000 pre-tax on commercial rates of interest for the borrowings. Some 20 per cent of its business has been in supplying components for the tractor industry, which has been particularly depressed.

On the basis of the historic profits Adwest appears to be paying nearly 50 times earnings for Burman, but Mr. F. V. Waller, chairman of Adwest, says he is confident that profits will recover strongly this year to around £¾m pre-tax.

He sees no reason why Burman cannot recover to a level where trading margins amount to between 8 per cent and 10 per cent of turnover. For the current year some £1.1m has already been earmarked for plant replacement.

The purchase has still to be studied by the Monopolies Commission which is known to be currently resistant to further concentration in British industry. However, a major factor in favour of the acquisition could be that the market leader in the steering gear industry, Cam Gears (with 50 per cent or so), is U.S. owned.

Adwest's pre-tax profits last year were £5.6m on turnover of £42m.

CENTROVINCIAL

Centrovincial is to make a £230,000 agreed bid for the ordinary and 8 per cent cumulative preference shares of Mansell Thorpe. It is to bid for each ordinary share and 133p for every preference share.

SHARE STAKES

Sir Joseph Causton and Sons—Mr. F. C. B. Bland, a director, sold 100,000 ordinary shares on June 21. Reducing his holding to 1,900,000 shares (24.5 per cent).

Herman Smith — Donegal Securities has acquired a further 47,000 ordinary shares increasing its holding to 252,000 shares (5.44 per cent). Mr. M. Herman Smith and Mr. R. Herman Smith (directors) are also directors of Donegal Securities.

Kelsey Industries — Mr. G. F. Arbib, a director, has purchased *20,000 ordinary shares increasing* his interest to 399,226 shares (10.4 per cent).

Burton Group — Mrs. B. J. Karmel, the wife of Mr. D. Karmel, a director, has sold 236,958 'A' ordinary shares at 114p.

Associated Newspapers Group—The Hon. Vere Harmsworth, a director, has sold 20,000 ordinary shares reducing his interest to 26,880 ordinary shares. Mr. S. M. Gray, a director, has purchased 1,300 ordinary shares.

E. J. Riley Holdings — Mr. J. Slater, a director, has acquired 6,000 ordinary shares. Mr. D. C. K. Browning, a director, has disposed of 146,000 ordinary shares.

Randall Group: Ferguson Industrial Holdings has acquired a further 40,000 shares, increasing its holding to 265,000 shares (10.4 per cent).

Polly Peck Holdings): Mr. R. Zelker, a director, bought 25,000 ordinary shares at 8p on June 23.

Wettern Brothers: W. and J. Glossop purchased 21,300 ordinary shares at 95p on June 23.

ASSOCIATE DEALS

Rowe ad Pitman, Hurst-Brown, on June 23, sold for a discretionary investment client 624 Thomas Tilling Ordinary shares at 113½p.

Hedderwick Stirling Grumbar bought 10,000 Wood and Son (Holdings) at 53p on June 23 on behalf of associates of Newman Industries.

Optimism at Wm. Pickles

At the AGM of William Pickles Mr. C. Harold Buckley, the chairman, said he would be less than honest, if he intimated that 1978 had opened up well, but he is very optimistic and confident about the future of the Group.

It is soundly based, he told members, and the subsidiaries are well diversified in garments for men, women and children, household textiles, soft furnishing fabrics, sportswear, upholstery fabrics and neckties.

Statement Page 30

GKN/Sheffield Twist link

GKN Distributors and The Sheffild Twist Drill and Steel Company have formed a joint company for the distribution of cutting tools, socket screws, hand tools and general engineers' equipment to the engineering distributor.

This company will be known as Dormer Distribution (Tools), and will sell exclusively to engineering merchants and distributors. It will carry a full range of Dormer cutting tools, GKN socket screws and complementary ranges of engineering tools.

Progress by Percy Bilton

At the AGM of Percy Bilton, the chairman said that the private housing division was now achieving its targeted profitability after substantial reorganisation. Contract housing was under control and would no longer be a drain on the resources of the group. Meanwhile, cash had been reduced to make investments "which will secure significant future growth in your group's property portfolio."

APPOINTMENTS

J. F. Tigar joins Guinness Mahon

Mr. J. F. Tigar has been appointed to the Board of GUINNESS MAHON AND CO. (Guinness Peat Group) from July 3. He was previously assistant principal and chief foreign exchange dealer at the Bank of England.

★

The following changes have been made to the executive Board of SWAN HUNTER SHIPBUILDERS on the appointment of Dr. P. A. Milne and Mr. N. A. Sloan to British Shipbuilders: Mr. G. D. Hilton has become managing director; Mr. L. Johnson and Mr. R. I. Smith, joint deputy managing directors; Mr. R. F. Fairbank, production director; Mr. N. Gilchrist, works director; and Mr. C. P. Douglas, personnel director.

★

Mr. John H. Smith has been appointed by the IMPERIAL COLLEGE OF SCIENCE AND TECHNOLOGY as secretary to the college and clerk to the governors from July 1, 1979, not the beginning of next month as reported yesterday. He will succeed Mr. M. J. Davies, who is retiring.

★

Mr. David Harrison has been appointed managing director of CHARTPAK EUROPE, joining that company from George Rowney and Co.

★

Mr. Ted Lansdowne, formerly marketing director with MARLEY HOMECARE, has been appointed managing director. Mr. Doug Spickernell, who was merchandising and display manager, has become sales manager and Mr. Richard Girling is now advertising and promotions manager. Mr. Roy Saunders continues to head the buying team.

★

Mr. Alan Rudge has been appointed marketing director of DEWRANCE DRESSER. He was formerly marketing manager.

★

Lord Annan has been appointed a trustee of the NATIONAL GALLERY in succession to Sir Gordon Sutherland, whose term of office has expired.

★

Mr. David Bangham, marketing manager of the saws and tools division of SANDVIK UK, has been appointed to the board of the company.

★

Mr. John Edwards has been appointed managing director of the products divisions of LOUIS C. EDWARDS AND SONS (MANCHESTER) following the retirement of Mr. George McCord.

★

Mr. James Bent has been appointed to the board of NEI BRUCE PEEBLES, a member of the Northern Engineering Industries Group. He is managing director of Baldwin and Francis and of NEI Mining Equipment.

★

Mr. D. A. Harris has been appointed to the Board of the ANDERSONS RUBBER COMPANY.

★

Mr. Tom Turvey has been appointed vice-chairman of the CO-OPERATIVE WHOLESALE SOCIETY, succeeding Mr. H. A. Toogood who has retired. Mr. Turvey has also joined the Board of the Co-operative Bank.

★

Mr. G. W. H. Lewis has been appointed managing director of the WICKMAN MACHINE TOOL MANUFACTURING COMPANY and Mr. J. Carson has been made manufacturing director. Mr. Lewis is a director of Wickman Ltd.

★

Mr. Ian Wrigglesworth, MP, has become chairman of the LABOUR ECONOMIC FINANCE AND TAXATION ASSOCIATION in place of Lord Houghton, who has resigned because of pressure of other work.

★

Mr. W. D. Sharp has been appointed a director of ARBUTHNOT LATHAM AND CO.

Mr. John McCarthy has been appointed a director at HARRISON AND SONS (HIGH WYCOMBE). He joins the company from Eric Bemrose.

★

Mr. Harold Reynolds has been made a director of the North and East Midlands regional Board of LLOYDS BANK which sits under the chairmanship of Mr. G. C. Kent. The appointment is from July 1. Mr. Reynolds is joint managing director of Whitworth Holdings and a director of Weetabix.

★

YOUNG AUSTEN AND YOUNG, which recently joined the building contracting division of Trafalgar House, has appointed Mr. P. R. Howell as chairman of the company. Two new directors have also been appointed. They are Mr. J. R. Bolton, responsible for contracts in the London area and Mr. J. B. Ainsworth with the same responsibilities in the East Midlands.

★

Mr. John Redgrave has been appointed chairman of WALTER LAWRENCE LTD. He succeeds Mr. Brian Prichard, who will remain a director of the parent Board and a director of Walter Lawrence Estates. Mr. T. J. C. Mawby has become secretary of Walter Lawrence Ltd.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

$378m bid for Cutler-Hammer

BY JOHN WYLES

NEW YORK, June 26.

EATON CORPORATION, the diversified auto industry supplier, today moved towards a major presence in electronic components manufacture by announcing a $378.5m tender offer for Cutler-Hammer, the Milmaukee company in which it acquired a 32 per cent holding two weeks ago.

Eaton's move has been widely expected since it started to unravel the complicated web of shared ownership surrounding Cutler-Hammer by spending $117.5m purchasing Tyco Laboratories' stake in the electronics company. This valued Cutler-Hammer at $55 a share and its follow-on offer of $58 a share for the balancing 68 per cent is being recommended for acceptance by the Cutler-Hammer board.

The total purchase values Cutler-Hammer at about 14 times last year's earnings of $4.12 a share, which is broadly in line with the going premium in this year's takeover bids. Of more immediate importance is that $58 a share offers Kopper Company, a Pittsburgh engineering firm, about $15 a share more than it paid in acquiring a 21 per cent stake in Cutler-Hammer last year.

An Eaton spokesman said today that Koppers had not yet indicated whether it would tender its stock but that Eaton is apparently confident that its price is sufficiently attractive.

Koppers bought into Cutler-Hammer as a friendly move designed to fend off what was interpreted as a gradual acquisition by Tyco Laboratories. When Tyco sold its holdings to Eaton, its ambition was to purchase Cutler-Hammer's 33.5 per cent holding in another electronics company, Leeds and Northrup. Eaton agreed to make this sale to Tyco should it acquire Cutler-Hammer but then Cutler-Hammer surprised everyone by selling its Leeds and Northrup stake last wek to General Signal.

Cutler-Hammer will be a major acquisition for Eaton which could well be looking to develop the company's expertise into developing electronic controls systems for the auto industry. In any case, Cutler-Hammer will give Eaton representation in a range of new markets including: industrial, aerospace, air traffic control, consumer and housing markets.

As an alternative to its $58 a share cash offer, Eaton is offering a subordinated promissory note for the same amount with an annual interest rate of 7¾ per cent payable in periodic instalments up to a maximum of 15 years.

Goodyear sees little change this year

AKRON, June 26.

GOODYEAR TIRE AND RUBBER expects 1978 to be another transition year of solid but unspectacular earnings.

But Goodyear, which is the nation's largest tyre company, is getting its operations in shape to produce a major profit increase a few years from now, the chairman and chief executive, Mr. Charles J. Pilliod Jr. said.

Profits for 1978 will be "in the same area as last year," when Goodyear earned a record $205.9m or £2.85 a share.

With start-up expense on new plant and closing expense on old facilities, Goodyear officials did not expect spectacular results for 1978 he said. Profits this year will depend heavily on pricing, particularly pricing of tyres for 1979 model cars and trucks.

Once Goodyear's new plants are in full operation, and some of the industry's older capacity is phased out, Goodyear expects to start cashing in on its heavy investment in facilities and product development Mr. Pilliod said. "It could start next year or we could have another couple of years of medium results," he said. But he is confident that sharply higher profits will result eventually from the efforts of the past five or six years.

Over the past five years, Goodyear invested $550m to $600m in plant and equipment to produce radial tyres in the U.S. including the cost of converting existing tyre plants. The company also incurred heavy research and development expense on radial tyres and proprietary equipment to produce those tyres.

"We've installed what we think are the most efficient machines in the industry. We are looking for low production cost and for higher quality tyres," a combination that he expects will give Goodyear an edge over other tyre producers. AP-DJ

Peak yields on Treasury bonds

BY STEWART FLEMING

NEW YORK, June 26.

YIELDS ON new long-term U.S. Treasury bond issues are expected to reach near record levels this week when the Treasury sells $1.75bn of new 15-year bonds.

The nearest comparable Treasury issue now trading, the 7½ per cent of 1993, has been trading to yield around 8.6 per cent and, with the market expecting interest rates to continue to rise and the Treasury to become a heavy net borrower in the second half of the year, market estimates suggest that the new issue will be sold to yield around 8.7 per cent.

Although yields on short-dated Treasury issues have been higher in the past, this would be the highest on a long-dated security.

After last week's price declines, money and bond markets in New York are expected to trade nervously this week against a background of predictions of a further rise in prime rates and a possible increase to 7¾ per cent in the Federal Reserve's discount rate.

Some analysts are also predicting that the Fed could raise commercial bank reserve requirements in order to tighten the credit markets.

Greyhound offer for computer company

NEW YORK, June 26.

DCL HAS received "an informal proposal" from a Greyhound Corporation subsidiary for a merger valued at nearly $15.2m.

Mr. James P. Hassett, president and chief executive officer of DCL, said that the directors had not studied the proposal "but noted that the price appears low in light of the market value of DCL's portfolio of computer equipment."

Under the proposal, DCL would be merged into Greyhound Computer Corporation, with DCL shareholders receiving $4.50 a share. DCL said that certain of its shareholders would be offered, for each share, $1.30 and 8 per cent five year subordinated notes due 1983 of Greyhound Computer with a face amount of $3.20 a DCL share in advance of the merger.

DCL currently has about 3.3m shares outstanding.

DCL said that Greyhound Computer had indicated it would make a formal offer to DCL only if DCL directors would approve it.

A merger would be subject to various conditions including DCL shareholder approval.

Mr. Hassett said his Board would be studying the proposal and was considering retaining an investment banking firm to advise DCL. Mr. John Diebold, chairman of DCL and a major shareholder, said that "on the surface this appears to be a fair proposal and I believe the shareholders should have the opportunity to consider the proposal."

AP-DJ

Sharp expanding into financial sector

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, June 26.

THE Sharp Group—the Brazilian offshoot of Japan's major domestic appliance exporter—is steadily consolidating its position in a new area, the financial sector.

The group, through its holding company the Duravel Leasing Company, now controls two stockbroking firms, a finance company, an insurance broker, a leasing company and an investment bank. By its own admission, if anyone would care to sell a commercial bank and insurance company, Sharp would be happy to make the purchase, thus achieving full status as a major financial conglomerate.

In May this year, Sharp acquired the letters-patent of a financially-crippled investment bank, Banco Independencia-Decred for $5.36m. The bank is now being fully restructured, and is due to start operations within the next two or three months.

Starting with a capital of Cr60m ($3.38m), which will swiftly be increased to Cr100m ($5.64m), the bank will operate mainly in the lucrative areas of Rio de Janeiro, Sao Paulo and Manaus, the latter a free zone where a thriving trade in domestic appliances has helped to swell Sharp's profitability.

Through its stockbroking firm Valbras, Sharp has an association with the Banque Rothschild of France, and it is reported that not only Rothschild but also other foreign banks are interested in taking a minority share in Sharp's new Banco Independencia-Decred venture.

BankAmerica completes Multibanco takeover

By Diana Smith

THE Bank of America, together with its Brazilian commercial bank associate, Banco Internacional (in which the Bank of America controls 50 per cent and the Royal Bank of Canada and others 50 per cent), has now completed negotiations to take over 49 per cent of the shares of the Brazilian investment bank, Multibanco. All that remains is for Brazil's central bank to give official authorisation to the transaction.

At present, two-thirds of the stock of Multibanco are held by APLUB (the Brazilian association of liberal university professionals). In future, APLUB will hold 51 per cent while the Bank of America and Banco Internacional take 33 per cent of the voting stock and 16 per cent of the non-voting stock. Multibanco's total capital is worth $7.5m.

Gulf Western Sherwin deal

Sherwin-Williams said it has learned that Gulf Western Industries has acquired 360,000 share of Sherwin-Williams common, about 6.6 per cent of the outstanding stock reports AP-DJ from Cleveland, Ohio. Mr. William C. Fine, Sherwin-Williams president, said he has had no contact with Gulf Western. Sherwin learned of the purchase through a schedule 13D filed with the SEC by Gulf Western on June 19.

Higbee loss

Faced with falling sales volume and large inventory markdowns, Higbee, the department store chain, expects a loss in the fiscal second quarter ending July 27 that will exceed the year-earlier restated loss of $683,000. Mr. Herbert E. Strawbridge, chairman and president said reports AP-DJ from Cleveland. He said full-year results remain uncertain.

Honeywell merger

Honeywell and Spectronics have signed a formal agreement providing for the previously announced merger of Spectronics into Honeywell in a tax-free exchange of stock valued at some $24m, AP-DJ reports from Minniapolis. The acquisition has been approved by the boards of both companies, but is still subject to the approval of the holders of two-thirds of Spectronics shares. Honeywell said that several of Spectronics' largest holders, who hold about 46 per cent of the shares, have agreed to vote in favour of the merger, which Honeywell expects to complete in late August.

Middle South

Middle South Utilities announced net earnings for the five months to May 31 of 75 cents a share against 47 cents previously, AP-DJ reports. Net income was $56.47m against $31.15m, from operating revenues of $627.37m compared with $515.54m.

Increase for Jim Walter

NEW YORK, June 26.

THE building materials company Jim Walter Corporation had earnings per share of $3.35 for the first nine months of the current fiscal year, compared with $2.93 for the comparable period of last year.

The soya processing and foods company Central Soya Company made $1.63 a share for the same period against last year's 83 cents, while the mobile homes producer Skyline Corporation had earnings of $1.39 a share compared with 98 cents for the full year.

Agencies

ITT forecasts 25% gain in second quarter profit

BY NICHOLAS COLCHESTER

ZURICH, June 26

INTERNATIONAL Telephone and Telegraph (ITT) expects its earnings per share in the second quarter of 1978 to show a year-to-year gain of 25 per cent to around $1.35, Mr. Lyman Hamilton, the new president and chief executive, told a gathering of Swiss bankers in Zurich today.

"Virtually all" of this gain was the result, Mr. Hamilton explained, of the effects of the controversial U.S. accounting rule FASB 8 dealing with currency gains and losses. This rule had made ITT's figures for 1977 and for this year's first quarter disappointing. But, in the second quarter, the benefits of currency gains against the weak dollar have started to show through.

Mr. Hamilton said that 1978 as a whole should prove "a strong year" for ITT. Sales would be up by $3bn to $19.7bn and the group's net profit would increase by well over 10 per cent from last year's figure of $562m. But he stressed that this improvement was conditional upon "reasonable equilibrium" between the dollar and European currencies.

In his first European presentation since he took over from Mr. Harold Geneen at the helm of ITT, Mr. Hamilton described the five operating areas which have now introduced some shape into ITT's extraordinarily widespread activities. He conceded that, while the division had originally been made to "make ITT understandable," ITT management was now "beginning to manage in terms of five divisions."

Mr. Hamilton left the impression that the days of ITT's amorphous expansion seem to be over, and he confirmed that line management was now being encouraged to think of divestiture as well as acquisition in developing ITT's five businesses.

During 1978 ITT should benefit strongly from an improvement in the consumer appliance market and in its hotel business. ITT's consumer interests produced negligible profit last year, and this is one reason why Mr. Hamilton is now laying special emphasis on the improvement of the group's marketing skills. The turnover of the consumer group is expected to grow from $3.26bn to $3.8bn this year.

The management expects "continued strength" in insurance and finance (revenues up from $3.5bn to $4bn), and recovery in the cellulose pulp market—part of ITT's natural resources group, whose turnover is set to rise from $930m to $1.1bn in 1978. Results from the engineering products group—where turnover will rise from $4.3bn to $5.1bn—will be less impressive. But a strong 1979 is expected here.

The ITT president was particularly bullish on the two-year outlook for ITT's telecommunications business. He predicted annual sales rising from $4.6bn to $5.7bn in 1978. He explained that the worst of the "stringent ceilings on spending in key European markets" have now passed. ITT's order input here has been showing an annual increase of 20 per cent for the past 18 months. Because 18 months was the average lead time, the benefits were now starting to flow through.

Talking guardedly of ITT's new willingness to sell companies, Mr. Hamilton said that negotiations to sell the European food interests were still incomplete and that there was "no assurance" that the deal with Heinz would go through. He admitted that other European sales were in the offing, but stressed that ITT's commitment to Europe has not changed.

ITT now has some 18 per cent of its shareholders in Europe—half of them in Switzerland—and it is almost certain that the annual meeting in 1980 for the 1979 business year will be held in Europe, and will be relayed by satellite to shareholders in the U.S.

Optimism in steel industry

PITTSBURGH, June 26

HEALTHY U.S. steel orders for third quarter delivery are encouraging steel executives to believe that the second half profit crunch of the past two years need not be repeated in 1973.

Yet while many steelmakers expect to report sharply reviving second quarter profits, some are switching their earlier wariness of market softness to the fourth quarter from the third.

Steelmakers claim that their plans for a broad-based price increase on July 30 have not robbed much tonnage from August and September. Indeed, U.S. Steel Corporation said that strength in those two months orders led it to boost its forecast for 1978 steel consumption by 1m tons last week, to 111m tons.

U.S. Steel feels "comfortable" that 98m tons is "conservative." Earlier, it predicted shipments by U.S. producers this year would rise from last year's 91.1m tons to a range of 95m to 100m tons, depending on imports.

Some steelmakers see fourth quarter uncertainty lurking in heavier than expected imports in April. While they see declines ahead — the Government may announce a sharp downturn in May imports this week — these executives worry that the earlier surge is overhanging the market in inventories. One steelmaker that earlier expressed confidence in a fourth quarter demand upturn currently says shipments may ease, reflecting "a moderating economy and some inventory runoff."

So far, however, "the strength of the market is continuing, and would seem to assure us that the third quarter will be extremely strong," said Mr. J. Michael Curto, senior vice president-commercial for U.S. Steel.

Agencies

EUROBONDS

Reaction in D-Mark issues

BY MARY CAMPBELL

EURODOLLAR bond prices marked time yesterday in quiet conditions while D-Mark prices showed some reaction to the continuing weakness in the German domestic bond market. Three new issues were announced in different currencies.

In dollars, the major new issue announcement was a $30m floating rate note (FRN) for Argentina's largest commercial bank, the state-owned Banco de la Nacion. The five-year bullet issue offers interest at a quarter of a point over LIBOR or 8 per cent, whichever is the higher. Lead manager is European Banking.

For a borrower of this class, the margin over LIBOR is small. However, the minimum rate is higher than usual. The issue is priced at par.

The Danish Government has announced that it has arranged a $50m private placement via Morgan Stanley International with the interest rate set at 9.15 per cent on a ten-year bullet maturity.

The Ljubianska Banka FRN has been priced at par.

In the D-Mark sector, the terms of Austria's DM 100m private placement have been set at a somewhat tighter level than those of the City of Kobe's offering, which is guaranteed by the Japanese Government. The Austrian bonds will have a ten-year final maturity with an eight-year average life (Kobe is an eight-year bullet), while the pricing includes a 5¾ per cent coupon at par. The coupon on the Kobe issue is also 5¾ per cent but the price is 99½ to put the yield at 5.83 per cent.

Doina Thomas writes from Bahrain:

Sonatrach, the Algerian state hydrocarbons company, is raising 8m Bahraini dinars ($21m) by means of a ten-year issue of 8½ per cent bonds. The lead manager is Gulf International Bank. Sonatrach managers have recently been visiting Gulf bankers with a presentation of its future prospects as assessed by American consultants.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

German Cartel Office ponders action over VEBA-BP gas deal

BY LESLIE COLITT

BERLIN, June 26.

THE WEST GERMAN Cartel Office is examining the DM 800m ($385m) deal between Deutsche BP and the VEBA energy group to see whether it will take action against it.

Herr Wolfgang Kartte, president of the Cartel Office in Berlin, said particular attention is being paid to VEBA's sale to Deutsche BP of a 25 per cent share in Ruhrgas, West Germany's largest natural gas company.

If the Cartel Office objects to the deal, this agency of the West German Economics Ministry *would place itself in opposition* to the German Government, which controls 44 per cent of VEBA.

Such a conflict of interest has been seen before, however, when the Cartel Office investigated oil companies, including VEBA, in 1974 for allegedly overcharging customers in West Germany.

In the same year, Volkswagen, in which the government is a large minority shareholder, was charged with unjustified price rises but the Cartel Office subsequently dropped the case.

Herr Kartte made his remarks while presenting the Cartel Office report on its activities last year. At the same time, a representative of the Bonn Economics Ministry noted that the Minister could approve of a prohibited merger if it was found to be in the public interest.

Since "merger control" was introduced in 1973, 16 mergers have been prevented by the Cartel Office. The mere existence of the anti-merger regulation is said to have been even more effective.

In its most recent decision, the Cartel Office fined 11 leading abrasives manufacturers and their executives DM580,500 for price fixing agreements.

The companies worked out a price and rebate system which was used in a number of price increases between October 1969 and November 1974. The companies were: Norddeutsche Schleifmittel-Industrie Christiansen; 3M Deutschland; Vereinigte Schmirgel-und Maschinenfabriken; Starcke; Carborundum Werke; Feldmuhle; C. Klingspor; C. F. Schroder; Rheinische Schmirgelwerke; Norton; and Wanfrieder Schmirgelwerke.

In the past ten years, the Cartel Office has issued 171 legally valid fines amounting to DM112m. The majority of companies were fined for illegal price and rebate arrangements.

AUSTRIAN BREWING

Viennese beer barons leave the stage

BY PAUL LENDVAI IN VIENNA

WITH THE planned takeover of Austria's oldest brewery, the completed merger of the third and fourth largest, and the emergence of an aggressive, price-cutting newcomer, management in the industry is being forced to react to tougher competition as sales stagnate.

Schwechater Brauerei, owned by the family of Mautner-Markhof "beer barons," will disappear as an independent producer when the acquisition by the larger and reputedly more efficient Brau AG of Linz goes through, while Goesser and Reiningshaus have already combined to form an enlarged brewing concern in the province of Styria.

Ever since the 1840s, the Mautner-Markhof family has dominated both the brewing industry and, increasingly, the cultural scene in Vienna. Since World War Two, the family, acting as the patron of arts and sport, has become the symbol of private capitalism in a country where most major industries are either nationalised or belong to the industrial holdings of the large banks. But the image of the "beer barons" as the "super rich" in an Austria governed for the past eight years by the Socialists has never reflected their real financial position.

Nevertheless, the news that Schwechater Brauerei, so long identified with the Mautner-Markhofs, is to be absorbed by Brau AG has made headlines, even in the popular dailies. Last autumn, the two companies had already agreed to merge their holding companies without affecting the independence of the respective breweries. Following an estimated operating loss of Sch 70m ($4.7m) last year, the Schwechater Board has had to accept the inevitability of a merger, along with stringent rationalisation likely to cause massive lay-offs among the 1,300 employees.

Brau AG is the larger of the two with a turnover of Sch 1.54bn in 1976 and a beer output of 2.02m hectolitres. Schwechater's overall sales, including non-alcoholic subsidiaries, totalled Sch 926m, with production at 1.18m hectolitres. More tellingly, Brau AG has an output of 1,300 hectolitres per man, while Schwechater is reported to achieve only 1,000.

The new group would account for 42.7 per cent of Austria's beer output and probably rank fifteenth in the European brewery league.

When the idea of the merger was first mooted in 1969, the Mautner-Markhof family brewery was offered a 38 per cent interest in the Linz company. By the time of the actual announcement this April, Brau AG's offer was expected to be reduced to a 25 per cent holding in exchange for Schwechater's total assets.

Now, however, the final arrangements may have to be held up because of the even lower evaluation put on the Schwechater assets. It is reliably reported that Brau's final offer is a mere 13 per cent stake.

The situation is complicated because the family only owns just over half of Schwechater's capital. A 30 per cent interest is held by the Creditanstalt Bankverein, Austria's number one bank and controlled by the Federal government. The main opposition to the latest offer comes from the Creditanstalt, which in turn also has a 25 per cent interest in Goesser and Reiningbaus. *These two merged* this year and operate under the new name of Steirische Brauindustrie AG, with a market share of 29.7 per cent.

The mergers also involve the West German Oetker concern which has an 18 per cent holding in Brau. Creditanstalt would have clearly preferred a merger of the two companies—Schwechater and the new Styrian group—in which it holds a substantial minority interest. But the die was cast by the Mautner-Markhofs, who finally opted for the merger with Brau AG.

Meanwhile, the general upheaval is likely to put an end to the beer cartel which has neatly divided the Austrian market since 1907, treating Vienna as a domain reserved for Schwechater, with the west dominated by Brau AG and the south by the Styrian companies.

The spread of supermarkets, discount and cut price stores, as well as the impact of foreign *competition coupled with stagnating* sales, have undermined Schwechater's erstwhile dominance in the Vienna area.

At the same time, the mergers pose a long-term threat to the 33 small and medium-sized breweries fighting over the rest of a shrinking market. But the recent emergence of a complete newcomer has now changed the entire picture. Herr Fritz Egger, a producer of fibre board from the Tyrol, has erected a new brewery in Sankt Poelten which will go on stream at the end of June. Already, he has given notice that his cheap beer will be marketed all over the country.

With an initial output of 200,000 hectolitres against annual industry-wide production of 7.5m hectolitres, Herr Egger is a small producer. Nevertheless, relying on the most modern technology and aggressive marketing, the newcomer in Sankt Poelten is likely to be an increasingly dangerous competitor to the *established companies. Thus the* bowing out of the Mautner-Markhof dynasty, while certainly the most publicised, is not necessarily the most crucial element in the changing world of Austrian breweries.

Turkish credit stepped up

BY METIN MUNIR

ANKARA, June 26.

CITIBANK has raised from $100m to $150m the seven year facility under the so-called "constructive remittance scheme," a new system contrived to pay off Turkey's debts to foreign suppliers, banking sources told the Financial Times here today.

The 50 per cent increase occurred because a large number of suppliers wanted to subscribe to the scheme. Banking sources also say that a number of other major international banks are planning to provide similar loans to Turkey.

Under the constructive remittance scheme Citibank will make $150m available to the Turkish central banks which will pay off past due debts to selected suppliers. Repayment of the loan, over seven years, with a spread of 1.5 per cent, will be guaranteed the recipient suppliers as well as by Turkey. The suppliers would be selected by Turkey from among those whose credit with Citibank is good.

Although the scheme appears to be attractive for all concerned there are certain doubts about it in the minds of Turkish officials. The principal worry is that there will be inevitable discrimination among the suppliers since the $150m is a drop in the ocean compared with Turkey's overall debt. It is estimated that the debt for unpaid imports since February, 1977, totals $1,700m.

Secondly, the Finance Ministry is insisting that a portion of the facility be used as fresh money to finance new imports. Fresh money is crucial to Turkey which is suffering from a serious foreign exchange shortage. Citibank is arguing that at this point it is more important for Turkey to clear off its old debts and open its channels with its suppliers.

Both Citibank and the Ministry of Finance have refused to disclose how many suppliers have applied to benefit from the scheme or which and how many would benefit from it.

Company sources expect an agreement on the matter between Citibank and the Ministry of Finance in ten days.

Improvement at Swedish Match

BY WILLIAM DULLFORCE

STOCKHOLM, June 26.

SWEDISH MATCH made very modest pre-tax earnings of Kr 5m ($1.09m) in the first four months of 1978 during which it raised turnover by 19 per cent to Kr 1.68bn ($365m). In the corresponding period of 1977 the group reported a zero result.

The management is sticking to its forecast of "slightly improved operating results" for 1978 as a whole, even though developments within some product fields during the first four months have been considerably worse than expected.

The Kr 5m pre-tax figure is struck as usual after cost-calculated depreciation and includes net interest costs of Kr 26m, which is Kr 2m less than in 1977. The interim report does not show any extraordinary items because "it is too early to quantify items of this kind."

However, the 1977 account was dominated by the extraordinary items. These included income from the sale of a 29 per cent share in Wilkinson Match among other holdings and even larger costs incurred from the restructuring of the group and the krona devaluation. Together these items left the group Kr 36m in the red before allocations and taxes.

It has been assumed that there would be further restructuring costs this year, although Mr. Gunar Dahlsten, the managing director, anticipated in April that the net effect would be considerably better. The interim report notes a further setback on the West German market for household furniture made by the Kubel factories which form one of the group's worst headaches.

The main source of earnings continued to be matches which turned in an operating income of Kr 27m. The disposable lighters which now form part of the match division, repeated the Kr 6m loss made in the first four months of last year.

On April 30 the group held liquid assets totalling Kr 620m against Kr 452m on December 31 and had available unused bank credits of Kr 245m.

Control of GO will remain in French hands

By Christine Moir

CONTROL OF Generale Occidentale is in the hands of French residents and will remain in French hands, Sir James Goldsmith said yesterday.

Referring to the proposed investment by General Oriental, the Hong Kong quoted company in which Sir James is the chief shareholder, in shares of Generale Occidentale, Sir James said that Press suggestions of a transfer of control of GO were unfounded.

Standard Electrica

STANDARD Electrica, Spain's largest electronics company and controlled by ITT, reports a 19 per cent increase in sales for 1977 to Pta 28.9bn ($360m), Robert Graham writes from Madrid. Of this, Pta 6.7bn ($83m) comprised exports which showed a 56 per cent rise, largely accounted for by a telephone contract in Algeria.

ITT has a 65 per cent direct stake plus a further equity of about 10 per cent through a Luxembourg registered company. The main Spanish equity is held by the semi-private telephone monopoly, Compania Nacional Telefonica, which has 20 per cent. Standard supplied Pta 19.6bn ($245m) worth of equipment to Telefonica last year, equivalent to over 85 per cent domestic sales.

Profits for the year were Pta 700m ($8.75m).

DOMESTIC BONDS

Saarland raising $75m

BY JEFFREY BROWN

THE FIRST of two long-awaited state bond offerings was unveiled in Frankfurt yesterday despite the growing weakness of the domestic fixed interest market in West Germany.

The State of Saarland is to raise DM 150m ($75m) over 10 years at 6 per cent. Price has been set at 98½. Dealers are now waiting to see whether the State of Bavaria will come forward with its expected offering of around DM 450m.

The weakness of the German bond market finally emerged into the open last week with the central bank forced to mount a major support operation. The Bundesbahn was again in the market yesterday buying some DM 180m of bonds, taking its six-day total up to DM 560m. So far in June the authorities have had to purchase over DM 1bn in the market.

Prices have declined heavily. The most recent long-term new issue, DM 730m by the Federal Railways, currently stands at a discount of three-quarters of a point, while the 12-year tranche of the DM 1.5bn Government loan raised in April slipped to 97.90 yesterday compared to an issue price of par.

The new Saarland bond offers a placing yield of 6.21 per cent which is substantially below the market where 10 year bonds return 6½ per cent on average. The placing institutions are able to add a tax reallowance to their initial yield and at DM 150m the issue is a modest enough amount for the market to absorb. The bond is expected to be fully placed, but it is clear that the issuing authorities are walking a tightrope.

Both domestic and foreign investment inflows into Frankfurt have for the moment ground to a halt. The resurgence in the equity market is a distraction, while seasonal demands on the money market—for tax and holiday purposes—have tightened liquidity on a day-to-day basis.

According to AP-DJ in Paris, Societe Francaise des Petroles BP, the French unit of British Petroleum, is to seek shareholder approval July 27 to issue bonds on the French or international markets and in one or more stages up to a maximum of FFrs 400m. On the same date shareholders will be asked to approve a motion authorising the board to increase the company's capital to a maximum of FFrs 686.2m.

The French unit of Dunlop holdings, Dunlop SA, has received shareholder approval to float up to FFrs 50m of convertible bonds on the French capital market. The bonds would be convertible into shares on the basis of six shares per bond.

LKAB reconstruction urged

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, June 26.

LKAB, the state company operating the north Swedish iron mines, can be restored to profit within five years. But the conditions are a financial reconstruction, a stronger marketing effort, the development of higher quality ore products and a decrease of 1,000 in the workforce. The extraordinarily high freight rates charged by the Swedish State Railways for carrying the ores to Narvik and Luleaa harbours must also be drastically reduced.

This is the preliminary finding of the team which has been investigating LKAB's future since the beginning of this year. It is due to submit a final report in August. The company expects to lose around SKr675m ($147m) this year, giving it total losses of over SKr1.3bn in 1977 and 1978.

The team is working on the assumption that production will be continued at each of the three large north Swedish mines, Kiruna, Malmberget and Svapavaara. It also assumes that steel production in the EEC will recover to 155m tonnes crude steel in 1983 against 126m tonnes in 1977; but underlines that LKAB must also look for new customers outside Europe.

The preliminary calculations indicate that LKAB could increase its ore deliveries to about 26m tonnes in 1983. This compares with the 19m tonnes sold last year and the 32m tonnes delivered in its peak year of 1974. The team itself warns against too much reliance on such forecast.

Mr. Sven Johansson, the managing director, commented that LKAB could expect to run at a loss for two more years.

Triumph increases profit

BY JOHN WICKS

ZURICH, June 26.

Despite the textile recession, turnover of Triuph International, the leading underwear, foundation garment and swimwear concern, rose by 5 per cent last year to SwFr 780m ($415m). The group, which has 31 subsidiaries throughout the world, also reports a further rise in profits.

The European division, headed by the Berne company Triumph Universa AG and consisting of 17 companies in Switzerland and elsewhere, accounted for SwFr 281.4m of the total. Divisional profits of SwFr 9.4m were roughly unchanged, while cash-flow improved slightly to SwFr 15.4m.

Triumph views the future "with some optimism," although the hoped-for recovery of markets has not taken place

Alfa Romeo losses total L98bn

MILAN, June 26.

ALFA ROMEO plans to reduce its capital to L52.5bn from L150.5bn by reducing the nominal value of its shares, to cover losses for 1977 of L98.4bn ($114m).

The 1977 loss figure includes L48.7bn for the writing down of the state-controlled company's participation in Alfa Sud, the car plant near Naples jointly owned with Alfa parent company Finmeccanica. For 1976, Alfa Romeo reported a loss of L48.4bn.

Alfa Romeo ended 1977 with short-term debts of L199bn against L160bn at the end of 1976, and medium and long-term debts of L99bn compared with L77bn.

Sales last year rose to L923bn from L819bn, but production was little changed from 1976 due to strikes

Reuter

Japanese audio groups plan to merge

By Yoko Shibata

TOKYO, June 26.

CROWN RADIO, a medium-sized audio equipment maker listed on the Tokyo Stock Exchange, and Vybernet, a top, but unlisted, citizen band transceiver maker, plan to merge on an equal basis from October 1.

Crown and Cybernet are highly export-oriented companies. The merger is aimed at meeting the effects of the rise in the yen in the foreign exchange. The companies believe at the same time that they can strengthen each other in "techniques, office management and manufacturing." It will be possible, they say, to develop and vary products by the combination of Crown's audio techniques and the communications experience of Cybernet.

The rise in the yen left Crown with a deficit of Y300m ($1.4m) for the fiscal year ended last month, and with Y1.88bn of cumulative deficits at the end of the year.

Industrial sources regard the initiative for the merger as having been taken by Cybernet, which had been seeking the opportunity to become listed on the second section of the stock exchange, but dropped the plan with the fading of the transceiver boom. Its business performance has been deteriorating.

The Tokyo Stock Exchange is studying the merger, and has halted transaction in Crown's stocks. The exchange is thought likely to examine the merger particularly closely since Cybernet is larger than Crown in terms of sales network and employees.

The company arising from the merger, to be called Crown-Cybernet, will have a capital of Y1.8bn. The president will be Mr. Karuki Tomono, of Cybernet, and the chairman Mr. Kurijiro Suezumi.

Swiss bank to open in Tokyo

By John Wicks

ZURICH, June 26.

SWISS VOLKSBANK, of Berne, Switzerland's fourth biggest commercial bank, is to open a representative office in Tokyo on July 1. This is intended to improve services to the bank's internationally-active clientele and to strengthen business links in the Far East.

The office will be headed by Kenzo Wada, formerly a managing director in the Japanese Ministry of Finance.

Malays offered stake in East Asiatic (Malaysia)

BY WONG SULONG

KUALA LUMPUR, June 26.

EAST ASIATIC COMPANY (EAC) is to sell 35 per cent of its Malaysian subsidiary, to Malaysians, to conform with the Government policy of allowing Malaysians wider participation in the country's corporate sector.

EAC said that it has received approval from the Malaysian Capital Issues Committee to sell 21m one ringgit shares in East Asiatic Company (Malaysia) at 1.6 ringgits per share.

Of the 21m shares offered for sale, 15m will be reserved for Malays, while the other 6m will be open to other Malaysians. EAC said that firm commitments have been received in respect of 11.5m shares from Malay financial institutions, and the remaining 9.5m uncommitted shares would be managed by Pertanian Baring Sanwa, the merchant bank which is the adviser to EAC in the reconstruction scheme.

East Asiatic Company (Malaysia) was formed in 1976, and has acquired from the parent, Danish company, its plantations, the production and distribution of Dumex pharmaceutical and nutritional products, and its general trading, including the assembly of Vespa scooters. The parent company retained its interests in the Carlsberg Brewery, and in shipping and forwarding, and the manufacture of shoes in Malaysia.

In its prospectus, EAC (Malaysia) said it expects to make a pre-tax profit of 19.5m ringgits for the current year, and that it should be able to pay a dividend of 20 per cent.

On the sale price offer of 1.6 ringgit, the prospective gross dividend yield is 12.5 per cent, and the prospective price-earnings ratio, based on forecast pre-tax profits, is 4.90.

EAC intends to make occasional offers of shares in EAC (Malaysia) to Malaysians, so that by 1990, 51 per cent of its Malaysian subsidiary would be held by Malaysians.

* * *

Mitsubishi Corporation has established a commodity trading company in Kuala Lumpur, in partnership with two Malay firms, Wong Sulong writes from Kuala Lumpur.

Mitsubishi owns 30 per cent of of the equity of the new company, Sinar Berlian, while the remaining 70 per cent has been taken up by Maha Perkasa and Impian Development. Sinar Berlian's authorised capital is 400,000 ringgits of which 200,000 ringgits is paid up.

The executive director of Sinar Berlian, Mr. Hidekazu Nagayo, who has 17 years' experience trading in non-ferrous metals with Mitsubishi, said that the new company has begun trading in tin. It would next be dealing in steel, as Malaysian oil companies are expected to require various steel products for their complexes.

Mitsubishi itself is involved in the construction of the US$ 1bn liquid natural gas plant in Sarawak in partnership with the Malaysian oil company, Petronas and Shell.

New markets lift Zim Israel

BY L. DANIEL

TEL AVIV, June 26.

NET PROFITS at Zim Israel Navigation Company rose by 10 per cent in 1977 to $4m. Turnover also increased 10 per cent, to $458m.

The company hopes to break even in the current year, in spite of heavy loses arising from the general strike in the fleet three months ago and the resulting loss of some customers.

The dividend for 1977 is unchanged at 15 per cent.

Although Zim is the country's national carrier, 70 per cent of its turnover of $458m last year (up 10 per cent) represented trade between foreign ports. At the same time, the company's share in total exports-imports through Israeli ports declined by 6 per cent. The company has been losing money on its home lines and tanker trade, but more than balanced this by earnings on freight carried between foreign ports. The company had benefited from "entering new markets, especially in developing countries," Mr. Y. Rotem, said.

Zim's operations brought the Israeli Treasury $100m in foreign currency, he said.

The company expects to complete its modernisation programme by the end of the year. It sold off six old vessels last spring, and still has six new freighters under construction. With their delivery, Zim intends to compete for a greater share of Israeli fertiliser, and citrus and other farm produce exports. But the company has decided not to order an eighth container ship for its world-wide container service in view of the heavy investment involved. Instead, it will charter such a vessel to increase the frequency of its service, which extends from Europe via the U.S. to Japan, with a feeder service from Italy for containers going to or from Israel.

This container service is Zim's most profitable operation and was hit hardest by the seamen's strike. Zim currently operates 67 ships, totalling 1.8m dwt, owned or chartered from Israeli companies, together with 35 chartered foreign vessels with an aggregate 200,000 dwt.

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Ampal-American Israel Corporation, the American investment affiliate of Bank Hapoalim BM, has had a good year, both in growth and developing the scope of its future operations, Mr. Jacob Levinson, chairman, states in the annual report, our Financial Staff writes. Ampal is paying a dividend of $50 per share, for 1977, equivalent to a 10 per cent return on the $5.00 per value, of preferred stock and a similar 10 per cent dividend to the holders of Ampal's Class "A" Stock, which was offered to the public during the year. In 1977 the Ampal group extended loans to and made investments in Israeli enterprises from sources in the United States and Israel and in amount of $183,000,000.

Singapore bank raises stake in Haw Par

By H. F. LEE

SINGAPORE, June 26.

Haw Par Brothers International has announced that the United Overseas Bank (UOB) group—one of Singapore's Big Four banks—now owns 8m of its shares, equivalent to 7.5 per cent of Haw Par's issued capital.

Haw Par also disclosed that it has been informed by Mr. Wee Cho Yaw—chairman of UOB and a director of Haw Par—that Wee Investments Pte. had acquired 500,000 Haw Par shares on June 15. Mr. Wee is a major shareholder of Wee Investments.

With the acquisition, Haw Par stated, Mr. Wee is deemed to be interested in a total of 8.5m shares in the company, or 8.5 per cent of its issued capital.

Mr. Wee and UOB are now believed to be the second largest single group of shareholders in Haw Par, the biggest being Charter Consolidated Investments, of the UK, which at the end of last year held 14.125m shares, or 13.2 per cent.

Sime Darby unit's sale

Sime Darby Western International BV, a wholly-owned subsidiary of Sime Darby Holdings, has sold for cash its 40 per cent minority interest in the Belgian manufacturing engineering company, Constructie Werkhuizen Vandekerckhove (VDK), our financial staff writes.

The shares were sold through Madenco, the majority shareholder in VDK, to UCO, a Belgian textile manufacturer. Sime Darby acquired its shareholding in late 1975 for the equivalent of Malaysian $2.2m and the sale price to UCO is the equivalent of M$2.3m (almost U.S.$1m).

This divestment is consistent with Sime Darby's policy to concentrate on those areas of business which are more closely related to its traditional skills and experience.

Union Steel starts at faster pace

BY RICHARD ROLFE

JOHANNESBURG, June 26.

UNION STEEL Corporation (USCO)—profits of which fell sharply in its year to December 31—has reported improved trading conditions for the first four months of the current financial year. Profits are well ahead of the comparable 1977 figures. The chairman, Dr. M. D. Marais, told shareholders at the annual meeting that net profit over the period was up from R0.1m in the previous year to R1.3m ($1.5m), mainly because of higher profits in the steel division.

Over the year to December 31, USCO's attributable profit was down from R5.6m to R1.1m and the dividend was reduced from 5.5 cents to 2.5 cents. The group is highly geared, with depreciation and interest on borrowings absorbing R8.6m out of last year's R9.8m trading profit. Despite the improved tone of the first four months, the chairman does not expect appreciable recovery in the steel market before 1979. The local steel market, he says, remains "basically in an unhealthy state," with costs rising faster than the consumer price indices. But in special steels, there has been a revival, led by restocking among merchants. The group's other interests, castings, copper fabrication and aluminium conductor production, remain depressed.

The shares, at 30 cents, yield 8.3 per cent on last year's reduced dividend. There is no indication of dividend policy in the current year. The state steel group, ISCOR, holds 56 per cent of USCO, including preferred shares, with Anglo American Industrial Corporation (AMIC) holding 13 per cent.

Modest gain at Russell

BY OUR OWN CORRESPONDENT

JOHANNESBURG, June 26.

RUSSELL HOLDINGS, the main South African specialist retailer of furniture and household appliances, maintained profitability in the year to April 30 on a modest rise in turnover and held its total dividend for the year at 10 cents a share.

At the group's 200 stores, sales rose from R109m to R118m ($136m) and pre-tax profit improved R0.2m to R12.8m ($14.7m). After provisions for normal and deferred tax, net attributable income was also R0.2m to the good at R7.2m to make earnings of 40 cents a share.

The shares yield 8 per cent at 125 cents and in sector terms, this is a premium rating, reflecting Russell's relative immunity to the lengthy recession.

* * *

Listing of the ordinary and 11.5 per cent preference shares of the Trust Bank of Africa on the London Stock Exchange has been cancelled at the company's request, the Stock Exchange said, Reuter reports in London. The market capitalisation and shareholding position is such that an adequate market in the securities cannot be maintained. Dealings are still permitted under the rule which allows transactions in London in any shares traded on a foreign stock exchange.

Plan for NZ securities control

BY DAI HAYWARD

WELLINGTON, June 26.

THE New Zealand Government is to establish a Securities Commission to supervise the securities industry.

Last year, the Government introduced into Parliament a Securities Advertisement Bill to introduce a measure of control over financial advertising. A number of submissions from interested parties recommended the setting up of a Securities Commission.

The Commission, which will be established later this year, will have the power to cancel company prospectuses and will keep a check on claims made in financial advertising.

Jardine Industries losses widening

By Ron Richardson

HONG KONG, June 26.

JARDINE INDUSTRIES—in which Jardine, Matheson and Co. proposes to acquire the 16 per cent of the equity it does not already own—made a consolidated operating loss of HK$7.7m (U.S.$1.7m) in the first four months of 1978.

This represents a worsening of the trend of the past two years which saw an operating profit of HK$12.59m for the year to December 1976 turn into a loss of HK$656,000 last year.

The latest figures are given in the offer document issued by the Jardine, Matheson group.

In the document, Jardine Industries' chairman, Mr. David Newbigging, points out that many of the group's activities are seasonal, with the second half of the year being the more important. However, he says, the results for the first four months of this year "compare unfavourably" with the year-earlier figures.

He warns that the reported HK$7.7m loss came before making certain provisions and extraordinary charges. "In addition, it has now become apparent that provisions will have to be made for the write-down of stock and for warranty costs," he says.

Jardine, Matheson is offering HK$4 in cash for each of the 4.76m Jardine Industries shares it does not own. The scheme of arrangement involved, to become effective, must be approved by holders of at least 75 per cent of the outside shares. Subject to the passage of a solution at an extraordinary general meeting on July 21, and to obtaining court approval, the scheme will become effective on August 1.

As reported at the time of the 1977 annual report, Jardine Industries' troubles stem mainly from losses incurred by its Concept 2000 group of subsidiaries, which moved into the manufacture of radios, television games and other consumer electronics for sale in the U.S.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	96½	97½
AMEV 8pc 1987	95	97½
Australia 8 pc 1992	92½	93
Australian M. & S. 9½pc '92	95½	97½
Barclays Bank 8½pc 1992	94½	95½
Bowater 9½pc 1992	95½	97½
Can. N. Railway 8½pc 1986	94½	95
Credit National 8½pc 1986	93½	95
Denmark 8 pc 1984	97½	98½
ECS 9pc 1993	95½	99½
ECS 8½pc 1997	93½	94½
EIB 8½pc 1992	97	97½
EMI 9½pc 1989	97½	99½
Ericsson 8½pc 1989	93½	94
Esso 8pc 1986 Nov.	99½	100
Gt. Lakes Paper 8½pc 1984	96½	97½
Hamersley 9½pc 1992	99½	100½
Hydro Quebec 9pc 1992	94½	95
ICI 8½pc 1987	93½	93½
ISE Canada 9½pc 1986	102½	103½
Macmillan Bloedel 9pc 1992	93½	94½
Massey Ferguson 9½pc '91	95	99
Michelin 9½pc 1988	100	100½
Midland Int. Fin. 8½pc '92	94	94½
National Coal Bd. 8pc 1987	92½	93½
National Wstmnstr. 9pc '86	99½	100
Natl. Wstmnstr. 9pc '86 'B'	99½	100
Newfoundland 9pc 1989	95½	99
Nordic Inv. Bk. 8½pc 1988	96½	97
Norges Kom. Bk. 8½pc 1992	95	95½
Norpipe 8½pc 1989	94½	93½
Norsk Hydro 8½pc 1992	94½	95½
Oslo 9pc 1988	95½	99½
Ports Autonomes 9pc 1991	97½	98
Prov. Quebec 9pc 1995	93½	94
Prov. Saskatchwn. 8½pc '86	97½	98½
Reed International 9pc 1987	92	94
RHM 9pc 1992	92½	93½
Selection Trust 8½pc 1989	90	91
Shell Intl. Fin. 8½pc 1990	93½	93½
Skand Enskilda 9pc 1991	97	97½
SKF 8pc 1987	91½	92½
Sweden (K'dom) 8½pc 1987	93½	94½
United Biscuits 9pc 1989	97	97½
Volvo 8pc 1987 March	92½	93½
Esso Gotzen 8½pc 1984	95	96½
Gotaverken 7½pc 1982	93½	97½
Kockums 8pc 1983	95½	97½
Michelin 8½pc 1983	98½	99½
Montreal Urban 8½pc 1981	98½	99
New Brunswick 8pc 1984	96	97½
New Bruns. Prov. 8½pc '83	99	99½
New Zealand 8½pc 1986	95½	96
Nordic Inv. Bk. 7½pc 1984	94	94½
Norsk Hydro 7½pc 1982	93½	94
Norway 7½pc 1982	94½	97
Ontario Hydro 8pc 1987	91	97½
Singer 8½pc 1982	99½	100½
S. of Scot. Elec. 8½pc 1981	98	98
Sweden (K'dom) 7½pc 1982	94½	95½
Swedish State Co. 7½pc '82	93½	94
Telmex 9½pc 1984	98½	99½
Tenneco 7½pc 1987 May	91½	92½
Volkswagen 7½pc 1987	93	93½

NOTES	Bid	Offer
Australia 7½pc 1984	93½	94
Bell Canada 7½pc 1987	93½	96½
Br. Columbia Hyd. 7½pc '85	91½	92½
Can. Pac. 8½pc 1984	96½	97½
Dow Chemical 8pc 1986	98½	99
ECS 7½pc 1982	94½	95½
ECS 8½pc 1989	91½	94½
EEC 7½pc 1982	95	95½
EEC 7½pc 1984	94	94½

STERLING BONDS	Bid	Offer
Allied Breweries 10½pc '90	87	88
Citicorp 10pc 1993	90½	91½
Courtaulds 9½pc 1989	88½	89½
ECS 9½pc 1989	94	95
EIB 9½pc 1988	94	95
EIB 9½pc 1992	91½	92½
Finance for Ind. 9½pc 1987	89	90
Finance for Ind. 10pc 1989	91½	92½
Fisons 10 pc 1987	94½	95½
Gestetner 11pc 1988	90	91
INA 10pc 1988	90½	91½
Rowntree 10 pc 1988	87	88
Sears 10½pc 1988	89	90
Total Oil 9½pc 1984	98½	99½

DM BONDS	Bid	Offer
Asian Dev. Bank 5½pc 1988	96½	97½
BNDE 6½pc 1986	96½	97
Canada 4½pc 1983	97½	98½
Den Norske Id. Bk. 6pc '90	99½	100
Deutsche Bank 4½pc 1983	97½	98
ECS 5½pc 1990	94½	95½
EIB 5½pc 1990	94½	95½
Elf Aquitaine 5½pc 1988	94½	95
Euratom 5½pc 1987	97½	98½
Finland 5½pc 1986	97½	98
Forsmarks 5½pc 1990	97½	98
Mexico 6pc 1985	97½	98½
Norcem 5½pc 1989	99½	100½
Norway 4½pc 1983	99½	100
Norway 4½pc 1983	97	97½
PK Banken 5½pc 1988	96	96½
Prov. Quebec 6pc 1990	97	97½
Rautaruukki 5½pc 1988	95	95½
Spain 6pc 1988	95½	96½
Trondheim 5½pc 1988	96	96½
TVO Power Co. 6pc 1988	97	97½
Venezuela 6pc 1988	94½	97½
World Bank 5½pc 1990	97½	98½

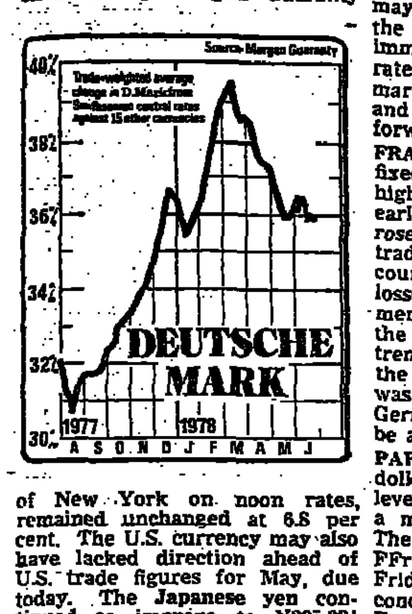
FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8½pc	99½	100
BFCE 1984 8½pc	99½	99½
BNP 1983 8½pc	100½	100½
BQE Worms 1985 9pc	98½	99½
CCF 1983 8½pc	99½	99½
CGMF 1984 8½pc	99½	99½

Source: White Weld Securities.

Currency, Money and Gold Markets

$ steadies in quiet trading

Trading in yesterday's foreign exchange market was at a generally low level and attention was once again focused on the U.S. dollar/yen performance. The dollar may have received some support through Japanese banks in London and it finished at around its best levels of the day. This was no doubt helped by a certain amount of buying interest in New York although this in turn may have represented further official intervention. In fact the dollar looked slightly softer overall although its trade weighted average depreciation, as calculated by Morgan Guaranty of New York on noon rates, remained unchanged at 6.8 per cent. The U.S. currency may also have lacked direction ahead of U.S. trade figures for May, due today. The Japanese yen continued to improve to Y205.92½ from Y207½, having seen Y205.10 at one point.



Elsewhere, the dollar fell to SwFr 1.8645 against the Swiss franc, from SwFr 1.8650, while the West German mark eased fractionally to DM 2.0765 against DM 2.0762½ previously.

Sterling remained on the sidelines and trading took place within a very narrow range against the dollar at $1.8480-$1.8505. The pound opened at $1.8490-1.8495 and had showed very little movement at the close to $1.8490-1.8500, a rise of just 5 points on Friday's close. On Bank of England figures, the pound's trade-weighted index eased slightly to 61.3 from 61.4, having stood at 61.2 in the morning and 61.3 at noon.

TOKYO—The U.S. dollar continued to lose ground against the yen, continuing the weaker trend in European markets on Friday. It closed at Y206.25, compared with Y209.525 previously, in very nervous and heavy trading. After opening at Y206.10, the dollar fell to a record low of Y204.80 which prompted some central bank intervention. However, this was soon stopped after further speculative buying of yen nullified any stabilising effect attempted by the bank, on such a scale. The dollar may have been helped later in the day by the possibility of an imminent rise in U.S. interest rates. Turnover in the spot market remained heavy at $634m and about $783m in combined forward and swap trading.

FRANKFURT—The dollar was fixed at DM 2.0753 which was higher than levels attained in early trading. The U.S. currency *rose gradually in generally quiet* trading in what was seen as a counter reaction to its recent losses. However, market sentiment seemed to point towards the dollar resuming its downward trend against the yen throughout the rest of this week. Trading was also quiet ahead of West German trade figures which may be announced today or tomorrow.

PARIS—In nervous trading, the dollar was steady at its lower levels against the franc with only a moderate volume of business. The U.S. currency closed at FFr 4.5560 from FFr 4.5620 on Friday. It seems probable that conditions surrounding the French franc will show little change ahead of the Retail Price Index for May, due later this week. The French currency improved against the West German mark and the Swiss franc but eased slightly against sterling which closed at FFr 8.4290

MILAN: The lira improved against the dollar but lost ground *to the yen and other major* European currencies at Monday's fixing. A *further* strengthening in the yen showed a record high of L4.158 against the lira. The dollar eased to L855.6 from Friday's L857.05. Trading was light in all currencies with the West German mark rising to L412.19 from L411.78 and the Swiss franc to L459.01 against L458.31.

THE POUND SPOT / FORWARD AGAINST £

June 26	Bank rates %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	7	1.8480-1.8505	1.8490-1.8500	0.42-0.32c pm	2.40	1.42-1.32c pm	2.96
Canadian $	8½	2.0775-2.0840	2.0830-2.0840	0.60-0.50c pm	3.17	1.70-1.60c pm	3.17
Guilder	4	4.10½-4.13	4.12-4.13	2¾-1¾c pm	6.54	7⅝-6⅝ c pm	6.91
Belgian Fr.	5½	60.15-60.35	60.20-60.30	30-20c pm	4.98	95-85 c pm	5.97
Danish Kr.	8	10.57½-10.60	10.58-10.59	2-4 ore dis	−3.47	7-9 ore dis	−3.03
D-Mark	3	3.82½-3.85	3.83½-3.84½	2⅝-1⅝ pf pm	7.42	8⅝-7⅝ pf pm	8.26
Port. Esc.	18	84.10-85.00	84.40-84.80	70-165 c dis	−12.76	75-475 c dis	−12.93
Span. Pes.	8	145.60-145.85	145.70-145.80	par-100 c dis	−4.12	25-175 c dis	−2.74
Lira	11½	1,580½-1,584	1,582½-1,583½	par-3 lire dis	−1.14	1-4 lire dis	−0.63
Nrwgn. Kr.	7	9.96-9.98	9.96½-9.97½	½-2½ ore dis	−1.80	1½-3½ ore dis	−1.00
French Fr.	9½	8.42-8.44½	8.42½-8.43½	1½-½c pm	1.60	3½-2½ c pm	1.64
Swedish Kr.	7	8.45½-8.48½	8.46½-8.47½	½ore pm-1½ore dis	0.71	3-1 ore pm	0.94
Yen	3½	375-385	380-382	2.50-2.20y pm	7.40	7.85-7.50 y pm	7.85
Austria Sch	5½	27.55-27.70	27.60-27.70	15-5 gro pm	3.47	35-25 gro pm	4.34
Swiss Fr.	1	3.43½-3.46½	3.44½-3.45½	3¼-2¼c pm	9.57	9-8 c pm	9.85

Belgian rate is for convertible francs. Financial francs 60.50-60.70.

Six-month forward dollar 2.75-2.65c pm. 12-month 5.15-5.05c pm.

THE DOLLAR SPOT / FORWARD AGAINST $

June 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	88.78-88.92	88.78-88.81	0.03-0.05c pm	0.54	0.04-0.06c pm	0.22
Guilder	2.2225-2.2272	2.2253-2.2263	0.84-0.79c pm	4.29	2.31-2.26c pm	3.98
Belgian Fr	32.55-32.59	32.55-32.57	9.25-8.25c pm	3.18	25.5-24c pm	2.95
Danish Kr	5.6135-5.6200	5.6135-5.6150	—		—	
D-Mark	2.0690-2.0755	2.0730-2.0740	0.92-0.87pf pm	5.18	2.76-2.71pf pm	5.17
Port. Es	—	45.58-45.68	—		—	
Lira	855.00-855.65	855.35-855.65	2.35-2.65c dis	−3.86	7.65-8.35c dis	−3.99
Nrwgn. Kr	5.3880-5.3950	5.3880-5.3890	—		—	
French Fr	4.5450-4.5635	4.5550-4.5565	0.25-0.35c dis	−1.29	1.15-1.35c dis	−1.37
Swedish Kr	4.5785-4.5835	4.5785-4.5795	—		—	
Yen	205.30-205.90	205.30-205.50	0.93-0.83y pm	5.55	2.70-2.55y pm	5.09
Austria Sch	—	14.917-14.927	—		—	
Swiss Fr	1.8540-1.8642	1.8610-1.8620	1.16-1.11c pm	7.34	3.28-3.23c pm	6.86

* U.S. cents per Canadian $.

CURRENCY RATES

June 26	Special Drawing Rights	European Unit of Account
Sterling	0.669292	0.670308
U.S. dollar	1.23752	1.23961
Canadian dollar	1.39419	1.39418
Austrian schilling	18.4916	18.5273
Belgian franc	40.3215	40.3894
Danish krone	6.95177	6.96717
Deutsche Mark	2.56823	2.57332
Guilder	2.75719	2.76303
French franc	5.64557	5.65656
Lira	1058.76	1060.77
Yen	254.310	255.225
Norwegian krone	6.67023	6.68699
Peseta	97.5573	97.7420
Swedish krona	5.67094	5.68025
Swiss franc	2.30674	2.31326

CURRENCY MOVEMENTS

June 26	Bank of England Index	Morgan Guaranty changes %
Sterling	61.30	−41.7
U.S. dollar	87.62	− 6.8
Canadian dollar	84.80	−13.0
Austrian schilling	140.23	+18.8
Belgian franc	110.68	+12.5
Danish krone	115.36	+ 6.2
Deutsche Mark	140.78	+35.9
Swiss franc	182.56	+76.2
Guilder	120.82	+18.3
French franc	98.55	− 4.6
Lira	56.45	−46.1
Yen	143.95	+42.4

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

	£	$		£ Notes Rate
Argentina Peso	1,460-1,464	789.40-791.55	Austria	27½-28.0
Australia Dollar	1.6060-1.6221	0.8686-0.8765	Belgium	60-61½
Finland Markka	7.8607-8.8687	4.2525-4.2545	Denmark	10.30-10.45
Brazil Cruzeiro	32.76-33.76	17.71-18.25	France	8.40-8.50
Greece Drachma	67.490-69.158	36.49-37.39	Germany	3.80-3.85
Hong Kong Dollar	8.5725-8.6000	4.6460-4.6480	Italy	1560-1590
Iran Rial	126-132	68.12-71.37	Japan	385-395
Kuwait Dinar (KD)	0.501-0.511	0.2709-0.2765	Netherland	4.05-4.15
Luxembourg Franc	60.22-60.32	32.55-32.57	Norway	9.85-10.00
Malaysia Dollar	4.3660-4.3795	2.3680-2.3700	Portugal	80-84
New Zealand Dollar	1.7907-1.8086	0.9690-0.9770	Spain	1.43-1.46
Saudi Arabia Riyal	6.32-6.42	3.42-3.47	Switzerland	3.40-3.50
Singapore Dollar	4.2740-4.2870	2.3185-2.3195	United States	1.84-1.86
South African Rand	1.6003-1.6171	0.8653-0.8743	Yugoslavia	34-36

Rate given for Argentina is free rate

EURO-CURRENCY INTEREST RATES*

June 26	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	10-10¼	7¼-8¼	7½-7¾	3¼-4	[illegible]	3¼-3⅜	7⅝-7⅞	8-12	—	3¼-5¼
7 days notice	10-10¼	7¼-8¼	8-8¼	3¼-4	1⅝-1⅞	3¼-3⅜	7⅝-7⅞	10½-11½	8-8⅛	2 3/16-4 3/16
Month	11-11½	7⅞-8¼	8½-8¾	4¼-4½	1 1/16-1 3/16	3⅜-3½	9 5/16-9½	11½-12½	8⅝-8¾	2⅝-4
Three months	11½-11⅞	8⅛-8½	8 7/16-8 11/16	4½-4¾	1 1/16-1 3/16	3⅜-3½	9 7/16-9¾	12-13	8⅝-8¾	3 5/16-3 9/16
Six months	12⅛-12⅜	8½-8⅞	9-9¼	4⅞-5⅛	1⅞-2	3½-3⅝	10⅛-10⅜	12½-13½	9-9⅛	3 15/16-4⅛
One year	12⅛-12⅜	8¾-9⅛	9 1/16-9 5/16	5⅝-5⅞	2⅛-2¼	3 11/16-3 13/16	10¾-11	13½-14½	9⅛-9¼	4⅛-4½

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.05-8.15 per cent; three months 8.30-8.40 per cent; six month 8.70-8.80 per cent; one year 8.90-9.00.

Long-term Eurodollar deposits: two years 9 5/16-9 7/16 per cent; three years 9 7/16-9 9/16 per cent; four years 9 9/16-9 11/16 per cent; five years 9 11/16-9 13/16 per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two-days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

EXCHANGE CROSS-RATES

June 26	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.850	3.843	381.0	8.430	3.450	4.125	1583	2.084	60.25
U.S. Dollar	0.541	1.	2.078	206.0	4.558	1.865	2.230	855.9	1.127	32.58
Deutsche Mark	0.260	0.481	1.	99.15	2.194	0.898	1.074	412.0	0.542	15.68
Japanese Yen 1,000	2.625	4.854	10.09	1000.	22.13	9.055	10.83	4155.	5.469	158.1
French Franc 10	1.186	2.194	4.558	452.0	10.	4.093	4.893	1878.	2.472	71.47
Swiss Franc	0.290	0.536	1.114	110.4	2.443	1.	1.196	458.8	0.604	17.46
Dutch Guilder	0.242	0.448	0.932	92.36	2.044	0.836	1.	383.8	0.505	14.61
Italian Lira 1,000	0.632	1.168	2.427	240.7	5.325	2.179	2.606	1000.	1.316	38.06
Canadian Dollar	0.480	0.888	1.844	182.9	4.046	1.656	1.980	759.8	1.	28.92
Belgian Franc 100	1.660	3.070	6.378	632.4	13.99	5.726	6.846	2627	3.458	100.

INTERNATIONAL MONEY MARKET

New York rates steady

Interest rates were fairly steady in New York yesterday, with 13-week *Treasury bills* at 6.84 per cent, compared with 6.86 per cent late Friday, and 6.84 per cent earlier that day. There was little change in 26-week bills at 7.35 per cent, compared with 7.34 per cent early Friday, while one-year bills were 7.73 per cent, against 7.72 per cent early Friday.

Federal funds were slightly firmer from Friday at 7 11/16 per cent, but unchanged from opening levels. The increase in the rate set for federal funds by the Federal Reserve System's Open Market *Committee*, which was announced last Friday, led to further suggestions of an impending rise in bank prime lending rates. One or two small provincial U.S. banks have already lifted prime rates, but First National Bank of Chicago remained at 8¾ per cent yesterday.

Bankers acceptance offered rates were unchanged at 7.70 per cent for 30 days and 7.85 per cent for 60 days, but slighly firmer at 7.95 per cent, compared with 7.90 per cent early Friday for 90 days. Rates for 120 days, 150 days and 180 days were unchanged at 8 per cent, 8.05 per cent and 8.10 per cent respectively.

High grade commercial paper was also unchanged from early Friday at 7.70 per cent for 30 days, and 7.85 per cent for 90 days, with 60 days slightly easier at 7.75 per cent, compared with 7.80 per cent.

PARIS—Day-to-day money was slightly firmer yesterday, at 7½ *per cent*, compared with 7⅜ per cent on Friday. The interest rate on call funds tended to fall over most of last week from a high point of 8⅛ per cent on Tuesday. Towards the end of last week M. Rene Monory, Economics Minister, repeated his earlier *prediction that French banks will* cut base lending rates. It is expected to happen some time this week, but will probably not exceed 0.30 per cent. Base rates have been steady at 9.30 per cent since last September. Longer term rates were steady at Friday's levels in the money market yesterday.

BRUSSELS—Call money was firmer at 4½-5½ per cent, compared with 3¾-4¾ per cent on Friday. The one-month rate rose 1/16 per cent to 5½-5⅝ per cent, while three-month and six-month funds were *unchanged at* 5⅝-5⅞ per cent and 6⅛-6⅜ per cent respectively. One-year money rose 1/16 per cent to 7⅛-7½ per cent.

FRANKFURT—Interbank money market rates were unchanged from 3.55 per cent for call money to 3.75 per cent for six-month funds.

HONG KONG—Money market conditions were tight, with call *and overnight funds dealt at* 5¼ per cent and 4¾ per cent respectively.

GOLD

Little change

In very quiet trading gold lost $1 an ounce to close at $184¾-185¼. After opening at $184¾-185¼, the metal improved slightly to $185.10 at *the morning fixing* and $185.25 during the afternoon. However, despite a slightly weaker tendency in the U.S. dollar, it failed to maintain the higher morning *levels*.

	June 26	June 23
Gold Bullion (a fine ounce)		
Close	$184¾-185¼	$185¾-186¼
Opening	$184¾-185¼	$185-185½
Morning fixing	$185.10 (£100.124)	$185.20 (£100.374)
Afternoon fixing	$185.25 (£100.157)	$185.65 (£100.536)
Gold Coins domestically		
Krugerrand	$191½-193½ (£103½-104½)	$192¾-194¾ (£104¼-105¼)
New Sovereigns	$54½-56½ (£29½-30½)	$54½-56½ (£29½-30½)
Old Sovereigns	$54½-56½ (£29½-30½)	$55-57 (£29¾-30¾)
Gold Coins internationally		
Krugerrand	$190½-192½ (£103-104)	$190¾-192¾ (£103¼-104¼)
New Sovereigns	$53-55 (£28¾-29¾)	$53-55 (£28¾-29¾)
Old Sovereigns	$54½-56½ (£29½-30½)	$55-57 (£29¾-30¾)
$20 Eagles	$275½-277½	$276¾-279¾
$10 Eagles	$136-141	$135½-138½
$5 Eagles	$97-102	$97½-102½

In Frankfurt the 12½ kilo bar was fixed at DM 12,390 per kilo ($186.05 per ounce) compared with DM 12,415 ($185.50) previously. In Paris the 12½ kilo bar was fixed during the *afternoon* at FFr 27,350 per kilo ($186.46 per ounce) as against FFr 27,375 ($186.67) during the morning and FFr 27,500 ($187.32) on Friday afternoon.

UK MONEY MARKET

Very large assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Trading was fairly quiet in the London money market yesterday, although expectations of a possible rise in Minimum Lending Rate at some time has led to an end to the reversed yield curve. Discount houses are also taking a fairly cautious view at present, choosing yesterday to take up part of their allotment of Treasury bills, ahead of today's call of £30 on Exchequer 12 per cent 2013-17.

Day-to-day credit was in short supply, but the amount of help given by the authorities was probably overdone. They gave a very *large amount of assistance* by lending a small amount, overnight at MLR, to one or two houses, and also bought a very large number of bills from the houses, some for resale at a future date.

A *moderate* amount of Treasury bills were bought from the houses, and the Bank of England also purchased a large number of eligible bank bills.

Apart from the substantial Treasury bill take-up, the market was also faced with a slight rise in the note circulation. These more than made up for the surplus balances carried over from Friday by the banks, and a slight excess of Government disbursements over revenue payments to the Exchequer.

Discount houses paid up to 9¼-9¾ per cent for secured call loans, but closing balances were found at 7½-8 per cent.

In the interbank market overnight rates opened at 9¾-10 per cent, and touched 10¾ per cent, before easing to 8 per cent, and closing at 9½ per cent.

LONDON MONEY RATES

June 26 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	8-10¼	—	—	—	10¾	7½-9¾	—	—	—
2 days notice	—	—	10-10⅛	—	—	10½	—	—	—	—
7 days or	—	—	—	—	10½	—	9½-9⅞	—	—	—
7 days notice	—	9⅞-10¼	10-10⅛	—	10½	10½	9½-9⅝	9 3/16-9 5/32	9 17/32-9⅞	10¾
One month	10 1/16-9 15/16	10⅛-10¼	9⅞-10	10⅜-9⅞	10½	—	9½	9¼	9 9/16-9⅞	10¾
Two months	10⅛-9 15/16	10⅛-10¼	—	10¼-9⅞	10½	10⅝	9⅝-9½	9 11/32-9⅜	9⅞	10⅝
Three months	10⅛-10	10⅛-10¼	9⅞-9 15/16	10¼-9½	10¾	—	—	—	9 15/16	10⅝
Six months	10⅜-10 3/16	10¼-10⅜	10-10⅛	10¼-9¾	—	—	—	—	—	—
Nine months	10⅜-10⅛	10 7/16-10½	—	10⅛-9¾	—	—	—	—	—	—
One year	10⅜-10⅛	10⅜-10½	10⅛-10¼	10¼-9⅞	—	—	—	—	—	—
Two years	—	—	10½-10¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rate nominally three years 11⅜-11⅝ per cent; four years 11⅞-12 per cent; five years 12⅛-12⅜ per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9⅞ per cent: four-month trade bills 10⅝ per cent.

Approximate selling rates for one-month Treasury bills 9 1/16-9 5/32 per cent; two-month 9¼ per cent; and three-month 9 5/32-... per cent. Approximate selling rate for one-month bank bills 9 11/16-9¾ per cent; and two-month 9 11/16-9¾ per cent; and also three months 10¼ per cent. One-month trade bills 10¾ per cent; two-month 10⅝ per cent; three-month 9¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 9½ per cent from June 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6¾-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.2546 per cent.

MONEY RATES

NEW YORK

Prime Rate	8.75
Fed. Funds	7.6875
Treasury Bills (13-week)	6.84
Treasury Bills (26-week)	7.35

GERMANY

Discount Rate	3
Overnight	3.55
One month	3.55
Three months	3.65
Six months	3.75

FRANCE

Discount Rate	7.5
Overnight	7.5
One month	7.8125
Three months	8.125
Six months	8.3125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.50
Bills Discount Rate	4.875

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on June 26, 1978. In some cases rates are nominal. *Market rates are the average of* buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown *should not be taken as being* applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territories; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; *(n.a.) not available*; (A) approximate rate no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (exC) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	88.00
Albania	Lek	10.1151
Algeria	Dinar	7.4692
Andorra	French Franc	8.45
	Spanish Peseta	145.75
Angola	Kwanza	n.a
Antigua (S)	E. Caribbean $	4.9985
Argentina	Ar. Peso Free Rate	1,482
Australia (S)	Australian $	1.61405
Austria	Schilling	27.65
Azores	Portug. Escudo	84.65
Bahamas (S)	Ba. Dollar	1.8495
Bangladesh(S)	Taka	27.94(sg)
Bahrain (S)	Dinar	0.717
Balearic Isles	Spa. Peseta	145.75
Barbados (S)	Barbados $††	3.699
Belgium	B. Franc	(cm)60.25 (fn)60.80
Belize	B $	3.699
Benin	C.F.A. Franc	421½
Bermuda (S)	Bda. $	1.8495
Bhutan	Indian Rupee	15.280(sg)
Bolivia	Bolivian Peso	36.99
Botswana(S)	Pula	1.5317
Brazil	Cruzeiro ‡‡	33.26
BrVirginIs(S)	U.S. $	1.8495
Brunei (S)	Brunei $	4.2805
Bulgaria	Lev	1.5471
Burma	Kyat	12.5872
Burundi	Burundi Franc	164.99
Camero'n Rp	C.F.A. Franc	421½
Canada	Canadian $	2.0835
Canary Isle	Spanish Peseta	145.75
Cape Verde I.	Cape V. Escudo	84.65
Cayman Is(S)	Cay. I. $	1.5412
Cent. Af. Rp.	C.F.A. Franc	421½
Chad	C.F.A. Franc	421½
Chile	C. Peso	(Bk) 50.67
China	Renminbi Yuan	3.1585
Colombia	C. Peso	(F) 70.4565
Comoro Is.	C.F.A. Franc	421½
Congo (B'ille)	C.F.A. Franc	421½
Costa Rica	Colon	15.906
Cuba	Cuban Peso	1.5856
Cyprus (S)	Cyprus £	0.7550
Czechoslovak	Koruna	(com)10.10 (cn)20.20 (T)17.55
Denmark	Danish Krone	10.58½
Djibouti	Fr.	310
Dominica (S)	E. Caribbean $	4.9985
Domin. Rep.	Dominican Peso	1.8495

Place and Local Unit		Value of £ Sterling
Ecuador	Sucre	(O) 46.01 (F)46.47
Egypt	Egyptian £	(O)0.734 (T) 1.27
Ethiopia	Ethiopian Birr	(P)3.8326
Eq'tl Guinea	Peseta	145.75
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	10.58½
Fiji Is.	Fiji $	1.58255
Finland	Markka	7.8847
France	French Franc	8.45
Fr.C'ty in Af*	C.F.A. Franc	421½
Fr. Guiana	Local Franc	8.45
Fr. Pac. Is.	C.F.P. Franc	153.27
Gabon	C.F.A. Franc	421½
Gambia (S)	Dalasi	4.009
Germany (East)	Ostmark	3.84¼
Germany West	Deutschmark	3.84¼
Ghana (S)	Cedi	2.40(sg)
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.61405
Greece	Drachma	68.524
Greenland	Danish Kroner	10.58½
Grenada (S)	E. Carribean $	4.9985
Guadaloupe	Local Franc	8.45
Guam	US $	1.8495
Guatamala	Quetzal	1.8495
Guinea Rep.	Sily	37.755
Guinea Bissau		64.5501
Guyana (S)	Guyanese $	4.716
Haiti	Gourde	9.2475
Honduras Rep	Lempira	3.71
HongKong (S)	H.K. $	8.585
Hungary	Forint	(com) 72.66 (T/nc)56.55
Iceland (S)	I Krona	496.5
India (S)	Ind. Rupee	15.280(sg)
Indonesia	Rupiah	767.54
Iran	Rial	(A) 129
Iraq	Iraq Dinar	0.5404
Irish Rep (k)	Irish £	1.00
Israel	Israel £	32.5068
Italy	Lira	1,583
Ivory Coast	C.F.A. Frank	421½
Jamaica (S)	Jamaica Dollar	2.8857
Japan	Yen	381
Jordan (S)	Jordan Dinar	0.560(sg)
Kampuchea	Riel	2,279.4
Kenya (S)	Kenya Shilling	14.4111
Korea (Nth)	Won	1.6949(‖)
Korea (Sth)	Won	890.959
Kuwait (Sth)	Kuwait Dinar	0.506
Laos	Kip Pot Pol	569.9
Lebanon	Lebanese £	5.54505
Lesotho	S. African Rand	1.60872
Liberia	Liberian $	1.8495
Libya	Libyan Dinar	(P)0.5475

Place and Local Unit		Value of £ Sterling
Liecht'nstn	Swiss Franc	3.45
Luxembourg	Lux Franc	60.25
Macao	Pataca	9.2577
Madeira	Portug'se Escudo	84.65
Malagasy Rp.	MG Franc	421½
Malawi (S)	Kwacha	1.5754
Malaysia (S)	Ringgit	4.37275
Maldive Is.(S)	Mal Rupee	7.268
Mali Rp.	Mali Franc	843
Malta (S)	Maltese £	0.7500
Martinique	Local Franc	8.45
Mauritania	Ouguiya ‡	84.674
Mauritius (S)	M. Rupee	11.5662
Mexico	Mexican Peso	42.15
Miquelon	C.F.A. Franc	421½
Monaco	French Franc	8.45
Mongolia	Tugrik	(O)5.6444(‖)
Monserrat	E. Carribean $	4.9985
Morocco	Dirham	7.72(sg)
Mozambique	Moz. Escudo	61.74
Nauru Is.	Aust. Dollar	1.61405
Nepal	Nepalese Rupee	22.194
Netherlands	Guilder	4.12½
Neth. Ant'les	Antillian Guild.	3.3106
New Hebrides	Franc	159.24
	Austl. Dollar	1.61405
N. Zealand (S)	N.Z. Dollar	1.79865
Nicaragua	Cordoba	12.99
Niger Rp.	C.F.A. Franc	421½
Nigeria (S)	Naira	1.16116
Norway	Nrwg. Krone	9.97
Oman Sultanate of (S)	Rial Omani	0.639
Pakistan	Pkst. Rupee	18.2526(sg)
Panama	Balboa	1.8495
Papua N.G.(S)	Kina	1.31275
Paraguay	Guarani	230.88
P'ple's D. Rp of Yemen (S)	S. Yemen Dinar	(A)0.631604
Peru	Sol	exc(A)265.14
Philippines	Ph. peso	13.6216
Pitcairn Is.(S)	£ sterling / New Zealand $	1.79865
Poland	Zloty	(Cm)61.00 (T)61.00
Portugal	Pgse. Escudo	84.65
Port Timor	Timor EscudS	84.65
Principe Isle.	Pgse. Escudo	84.65
Puerto Rico	U.S. $	1.8495
Qatar (S)	Qatar Ryal	7.17
Reunion Ile de la	French Franc	8.45
Rhodesia	Rhodesian $	1.2826

Place and Local Unit		Value of £ Sterling
Romania	Leu	(cm)8.49 (n/c)T22.79
Rwanda	Rwanda Franc	169.23
St. Christopher (S)	E. Caribbean $	4.9985
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.9985
St. Pierre	C.F.A. Franc	421½
St. Vincent(S)	E. Caribbean $	4.9985
Salvador El	Colon	4.62
Samoa (Am)	U.S. $	1.8495
San Marino	Italian Lire	1,583
Sao Tome	Pgse. Escudo	84.65
Saudi Arabia	Ryal	6.37
Senegal	C.F.A. Franc	421½
Seychelles	S. Rupee	13.33
SierreLe'ne(S)	Leone	2.0
Singapore (S)	Singapore $	4.2805
Solomon Is(S)	Solomon Is. $	1.61405
Somali Rep.	Som Shilling	(A)11.64
Sth. Africa(S)	Rand	1.60872
S. W. African Territories (S)	S. A. Rand	1.60872
Spain	Peseta	145.75
Span. Ports in North Africa	Peseta	145.75
Sri Lanka (S)	S. L. Rupee	28.89(sg)
Sudan Rp.	Sudan £	(A)0.7399
Surinam	S. Gilder	3.311
Swaziland (S)	Lilangeni	1.60872
Sweden	S. Krona	8.47¼
Switzerland	Swiss Franc	3.45
Syria	Syria £	(A)7.2583
Taiwan	New Taiwan	(P)70.29
Tanzania (S)	Tan. Shilling	14.44
Thailand	Baht	37.15 (sg)
Togo Rp.	C.F.A. Franc	421½
Tonga Is. (S)	Pa'anga	1.5165
Trinidad (S)	Trin. & Tobago	4.439
Tunisia	Tunisian Dinar	0.765(sg)
Turkey	Turkish Lira	45.75
Turks & C's	U.S. $	1.8495
Tuvalu	Australian $	1.61405
Uganda (S)	Ug. Shilling	14.25
United States	U.S. Dollar	1.8495
Uruguay	Uruguay Peso	(cm)10.85 (fn)11.10
Utd.A'bEmis.	U.A.E. Dirham	7.17
U.S.S.R.	Rouble	1.27
Upper Volta	C.F.A. Franc	421½
Vatican	Italian Lire	1,583
Venezuela	Bolivar	7.94
Vietnam(Nth)	Dong	(O)4.4148 (T)4.1505(‖)
Vietnam (Sth)	Piastre	3.42157
Virgin Is. U.S.	U.S. Dollar	1.8495
Western Samoa (S)	Samoan Tala	1.1145
Yemen	Ryal	8.36(sg)
Yugoslavia	New Y Dinar	34.7725
Zaire Rp	Zaire	1.437756
Zambia	Kwacha	1.525

* That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
† Rupees per pound.
‡ The Auguiya has replaced the CFA franc. The exchange was made at a rate of CFA Fr 5 to one unit of the new currency.
§ General rates of oil and iron exports 77.679.
‖ Based on cross rates against Russian rouble.
** Rate is the Transfer market (controlled).
†† Rate is now based on 2 Barbados $ to the dollar.
‡‡ Now one official rate.

WORLD STOCK MARKETS

Wall St. drops 10 on interest rate fears

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—110% (111%)

Effective $1.8495 (49¾%) (50%)

SHARPLY LOWER levels were recorded over a broad front in moderate trading on Wall Street yesterday, reflecting rising interest rates and continuing weakness in the dollar.

The Dow Jones Industrial Average fell a further 10.74 to 812.28 and the NYSE All Common Index dipped another 71 cents to $53.19, while losse sled gains by a four-to-one majority. Trading volume expanded 720.000 shares to 29.25m.

The dollar firmed somewhat but not before again hitting a new low against the Japanese yen.

And analysts are predicting a rise in the Prime Lending Rate to 9 per cent from the widely prevailing 8¾ per cent.

Following an increase in its *target rate on key Federal Funds* late last week, the New York Federal Bank (Fed) is expected to tighten credit further. Analysts say the Fed may raise its target rate further and increase its Discount Rate to as much as 7¼ per cent from 7 per cent.

The "Casino Group" reversed direction amid profit-taking and fell, with **Ramanda Tins** off £1¾ to $8¾. **Caesars World** down $2¼ to $25¾. **Bally MFG** off $2¾ to $35¼. **Harrah's** down $1¼ to $25¼. **MGM** off $1¾ to $38¼.

Rowan were active and declined $2¼ to $22¾—it signe dan agreement to acquire Armen's 50 per cent interest in two Roman drilling affiliates for 1.920.000 shares of Roman Convertible Preferred. **Armco** were up $¾ at $25¾.

Cutler-Hammer moved ahead $4¼ to $57¾—**Eaton**, which already holds 32 per cent of Cutler Common, offered to buy the rest at $58 a share. Eaton held unchanged at $38. **Koppers**—wheih owns 21 per cent of Cutler Shares, shed $¾ to $21¼.

Penn Central were active and moved ahead $¾ to $3¾, after trading as high as $4¾—trading was halted late in the session and didn't resume.

Squibb gave way $2¼ to $34—a block of 269,900 shares traded at $35 and a block of 220,000 *crossed* at $33.

Reliance Group gained $1¾ to $31¾—it plans an offer for up to 3m of its Common at $32 each.

Green Giant jumped $2¾ to $23¼, but it knew of no reason for the activity in its stock.

Macandrews Forbes improved $1¾ to $20¾ on preliminary merger talks with several parties.

A number of Glamour and Blue Chips ran into selling pressure. **IBM** dropped $4¼ to $258¼. **Teledyne** $7½ to $95¾, **Du Pont** $1⅞ to $112⅞ and **Polaroid** $1¼ to $37.

McDonnell Douglas rose $¾ to $35¼—it won a near $1bn Air Force contract.

Liggett Group added $1 at $32¼ but **Philip Morris** lost $1⅞ to $64¼. Liggett sold its foreign cigarette business to Philip Morris for about $108m

THE AMERICAN SE Market Value Index moved down 1.08 to 143.59. Declines outnumbered gains by 469-to-149. Volume rose to 3.54m (4.43m) shares.

Husky Oil were active and up $¾ at $47¼ on 1,721.000 shares, apparently on talk of a bid by **Occidental Petroleum.**

Also active were **Resorts International "A."** down $3¾ at $80¼ on 230,800 shares, **Loews Theaters** Warrants, down $¼ at $16 on 147.200 shares. **Ozark Airlines** Warrants, up $¾ at $1¾ on 86,300 shares and **American Motor Inns**, down $¾ at $11¼ on 71,000 shares.

Canada

CANADIAN PRICES also closed lower in moderate trading, with the Toronto Composite Index off 4.8 at 1,123.7.

The Gold Share Index gave way 11.7 to 1,402.1, Oil and Gas dipped 7.8 to 1.435.8 and Metals and Minerals lost 4.4 to 917.00.

Markborough Properties jumped $2¼ to $19¼ on a one-for-one share purchase offer by **Hudson's Bay.**

Reitman's shed $¾ to $15¾ on lower first quarter earnings.

Q Broadcasting climbed $4¼ to $13—the company's president plans to buy 60,000 shares for $12 a share.

Consolidated Canadian Faraday rose 30 cents to $3.75. **Madawaska Mines**, 49 per cent-owned by Faraday, agreed to sell uranium at $42 a pound to an Italian Government agency.

Foodex Systems gained $¾ to $8¾—minority holders plan amendments to the terms of amalgamation of Foodex Systems and Foodex Investments.

The Montreal Industrial Index lost 0.77 to 180.82. Utilities 0.62 to 171.35, Banks 1.38 to 273.02 and Papers 1.12 to 112.39.

Australia

AUSTRALIA—Leading Minings and some Industrials closed firmer.

Northern Mining were lifted 18 cents to A$1.38—it is involved in a diamond search with **CRA**, *up 10 cents at A$2.54.*

Southland Mining were active and closed at a high for the year of 32 cents. The burst of activity was reportedly due to a recalculation of the value of a Fluorspar operation it has in Italy.

Western Mining gained 6 cents to A$1.57 and *Pancontinental* 50 cents to A$14. **MIM** put on 5 cents to A$2.10 and **Renison** 10 cents to A$9.50.

Among Industrials, **BHP** gained 10 cents to $A6.98, while **Bank of NSW** lost 4 cents to A$5.92. Elsewhere **Pioneer Sugar** were up 5 cents to A$1.05.

Retailers were steady.

Tokyo

TOKYO—Prices closed lower in mixed trading led by Export-Orientated issues, following the sharp yen appreciation in Tokyo. Volume 180m shares.

Victor Company of Japan shed 30 to Y1,240 and **Pioneer** 30 to Y1,680.

Some Oils rose on the yen *appreciation, while Domestic* Consumption shares hardened slightly.

Sanyo Electric put on 3 to Y271 on reports its U.S. subsidiary plans to start producing audio equipment.

Switzerland

Prices were slightly lower in quiet trading, with investors holding back in view of the easier tone on Wall Street and the uncertain dollar.

Banks and Financials were steady. Among mostly steady Insurances, **Winterthur Bearer** lost ground.

In Industrials, **Roco "A"** were easier.

Domestic Bonds were barely steady, while Foreign issues were slightly weaker.

In a quiet Foreign sector, Dollar stocks and Germans were lower, while Dutch Internationals were barely steady.

Hong Kong

HONG KONG—Market closed lower across the board, following much local profit-taking and some margin Account selling. The Hang Seng Index fell 11.13 to 536.95.

Hong Kong Bank at $HK17.60 *and* ***Jardine Matheson*** *at 15.40* each fell 40 cents, **Swire Pacific** 25 cents to 7.90, while **Hong Kong Land** at 9.25 and **Hutchison Whampoa** at 5.95 each declined 20 cents.

Wheelock dipped 10 cents to 3.025.

Hong Kong Telephone fell $HK1 to 33.00, **Hong Kong Wharf** 70 cents to 22.00, **Hong Kong Electric** 25 cents to 5.75 and **China Light** 20 cents to 25.50.

Germany

GERMANY — Prices eased slightly on a general lack of interest, although dealers noted no specific reasons for the sluggish trading.

Karstadt *gave way DM 7 to 313* but **Demag** firmed DM 1 to 158.

State Loans were again weak, with losses up to 40 pfennigs. The Regulating Authorities bought stock totalling DM 96.3m, compared with DM 80.7m on Friday.

Paris

PARIS—An irregular trend prevailed with still no sign of the customary start of Account firmness.

The expected small cut in the present 9.30 per cent Commercial Banks' Base Rates before the end of the month has been fully discounted, so the one-eighth point increase to 7½ per cent. in Call Money had little impact.

Michelin shed a further Frs.17 to 1238 on its lower consolidated 1977 profits.

Chemicals and Utilities were the only two sectors to show consistent gains, led by **Roussel Uclaf.**

Schneider lost about 3 per cent on *lower group share in consolidated* profits.

U.S. shares were down in line with Wall Street. Germans and International Oils were lower, but Dutch issues and Gold Mines were firmer. Coppers were little changed.

Johannesburg

JOHANNESBURG—Golds were quiet and narrowly mixed, reflecting the easier bullion price fixing.

Buffels lost 100 cents to R17.0.

Financials tended lower.

De Beers rose 5 cents to R6.98 on the announced go-ahead of the Premier Diamond Mine expansion of operations. **Anamint** put on 100 cents to R72.0.

Platinum shares **Bisplat** at R1.44 and **Lydplat** at R1.05 each shed 3 cents.

Industrials showed moderate either-way movements in lack-lustre trading.

Amsterdam

AMSTERDAM — *Share prices* were weaker in thin trading, with **KLM** dropping Fl 12.5 to Fl 142 on large offerings.

Unilever gave way Fl 1.3 to Fl 120.7 and **Hoogovens** shed 60 cents to Fl 32.7 to lead Dutch Internationals lower.

Elsewhere weak shares included **Van Ommeren**, off Fl 3.8 to Fl 141, **OCE-Van Der Grinten**, off Fl 2 to Fl 152.6, and **Pakhoed**, off Fl 4.6 to Fl 37.4. **Bijenkorf**, **Middenstandsbank** and **Fokker** were among the few higher issues.

State Loans were steady.

Milan

MILAN—The market closed irregularly lower in thin trading.

Leading Industrials, however, were scarcely changed. **Montedison** firmed marginally against the general trend.

Assicurazionni Generali firmed in Insurances, as did **Generale Immobliaire** in mixed Financials.

Brussels

Belgian shares were mostly higher in quiet trading.

Asturienne, **Vieille Montagne**, **Hoboken**, and **Solvay** each rose, while *Electrafina*, **ACEC** and **St. Roch** each fell.

Most Steels were little changed as strike action continued in the sector, although **Cockerill** rose BFr 25 to BFr 446.

In Foreign stocks, UK, Dutch and U.S. issues gave ground, Germans and French shares were mixed, while Canadians were little changed. Gold Mines were also little changed.

Indices

NEW YORK—DOW JONES

	June 26	June 23	June 22	June 21	June 20	June 19	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	812.28	823.02	827.70	824.95	830.04	838.62	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bn'ds*	87.52	87.58	87.88	88.61	88.02	88.15	90.66 (4/1)	87.50 (9/6)	—	—
Transport	218.40	219.81	220.05	219.89	221.17	222.24	251.65 (6/6)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.19	104.85	104.86	104.26	104.28	104.57	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	29,250	28,530	27,190	29,100	27,920	25,500	—	—	—	—

*Basis of Index changed from August 24

Ind. div. yield %	June 23	June 16	June 9	Year ago (approx.)
	5.68	5.58	5.43	4.83

STANDARD AND POORS

	June 26	June 23	June 22	June 21	June 20	June 19	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	104.49	105.90	106.41	106.13	106.65	107.78	110.55 (6/6)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	94.98	95.85	96.24	96.01	96.51	97.49	100.32 (6/6)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	June 22	June 14	June 7	Year ago (approx.)
Ind. div. yield %	5.07	4.90	4.86	4.37
Ind. P/E Ratio	9.11	9.44	9.51	10.22
Long Govt. Bond yield	8.52	8.44	8.45	7.57

N.Y.S.E. ALL COMMON

June 26	June 23	June 22	June 21	1978 High	1978 Low
53.19	53.90	54.07	53.81	57.28 (6.6)	48.37 (6.3)

Rises and Falls

	June 26	June 23	June 22
Issues traded	1,898	1,880	1,852
Rises	305	695	747
Falls	1,237	745	653
Unchanged	356	440	452
New Highs	—	31	21
New Lows	—	41	42

MONTREAL

	June 26	June 25	June 22	June 21	1978 High	1978 Low
Industrial	180.82	—	181.59	182.29	185.08 (15/6)	162.90 (14/2)
Combined	189.76	—	189.56	191.57	194.00 (6/6)	170.22 (30/1)

TORONTO						
Composite	1123.7	1128.5	1,128.6	1151.7	1148.8 (15/6)	998.2 (30/1)

JOHANNESBURG						
Gold	222.2	225.3	225.1	224.9	224.9 (21/6)	185.0 (20/4)
Industrial	239.3	239.3	240.8	241.8	242.2 (20/6)	194.5 (15/5)

	June 26	Pre-vious	1978 High	1976 Low
Australia(*)	492.53	489.76	501.34 (15/6)	441.19 (1/3)
Belgium (‖)	95.09	95.23	101.18 (6/6)	90.43 (25/2)
Denmark (**)	94.48	94.28	98.15 (3/1)	94.00 (6/2)
France (††)	62.4	68.7	71.2 (30/5)	47.6 (6/2)
Germany(‡‡)	788.1	790.2	812.7 (10/2)	759.4 (17.6)
Holland (§§)	84.6	86.4	87.0 (9/6)	76.0 (4.4)
Hong Kong (¶¶)	536.95	548.08	562.31 (19/6)	383.44 (10.1)
Italy (‖‖)	61.86	61.67	64.23 (22/5)	55.40 (10/1)
Japan (a)	412.36	412.32	416.11	364.04
Singapore (b)	332.39	332.57	332.77 (23/6)	282.0 (1/6)

	June 26	Pre-vious	1978 High	1978 Low
Spain (d)	(c)	102.20	110.7c (3/5)	87.2d (17/5)
Sweden (e)	378.45	376.65	397.96 (5/6)	329.74 (5.1)
Switzerl'd(f)	293.5	393.9	323.7 (14.2)	279.0 (25.4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (*) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/72. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Ramada Inns	1,590,300	8¾	−1¾
Penn Central	1,329,600	3¾	+¾
Squibb	814,300	34	−2¼
Playboy	739,500	23	−2¾
Allegheny Airlines	649,800	10¾	−¾
Texaco	499,800	25¾	−¾
Caesars World	336,100	25¾	−2¾
Dow Chemical	322,900	24¾	−1
Rowan	273,800	22¾	−2¾
Bally Mfg.	261,200	35¾	−2¾

NEW YORK

Stock	June 26	June 23
Abbott Labs.	52⅛	55⅜
Addressograph	22	22½
Aetna Life&Cas.	38⅞	38⅞
Air Products	28	28¾
Airco	50	50
AlcanAluminium	26¾	27
Alcoa	41⅝	42⅝
Alleg. Ludlum	16	17⅞
[illegible]	[illegible]	[illegible]
Continental Grp.	29½	29¾
Continental Oil	25¾	26¼
Continental Tele.	15⅝	15¾
Control Data	32½	32¾
Cooper Indus.	54⅞	54
Corning Glass	53½	54½
CPC Int'n'tional	51	52
Crane	28¼	28⅝
Crocker Nat.	26⅛	26¾
Crown Zellerbach	30⅝	31
Cummins Engine	38	39⅝
Curtiss Wright	16½	17⅛
Dana	26⅛	26⅞
Dart Industries	42	41¾
Deere	32⅝	32⅛
[illegible]	[illegible]	[illegible]
Int. Tel. & Tel.	29½	30
Invest	[illegible]	[illegible]
Iowa Beef	35¼	35⅜
IU International	11	10⅞
Jim Walter	30	30⅛
Johns Manville	30⅛	30⅞
Johnson Johnson	81¼	82
Johnson Control	27¼	28½
Joy Manufactur'g	33⅛	34⅝
K. Mart Corp.	24⅜	24⅝
KaiserAluminium	31½	32⅛
Kaiser Industries	2	2
Kaiser Steel	23⅝	24⅛
Kay	13⅜	12½
Kennecott	23⅛	23
Kerr McGee	42	42¾
[illegible]	[illegible]	[illegible]
Quaker Oats	24⅝	25¼
Rapid American	10¼	10⅜
Raytheon	44⅜	45⅛
RCA	26⅝	27¼
Republic Steel	23⅛	23⅛
Revlon	47⅜	48⅛
Reynolds Metals	28½	29
Reynolds R. J.	64	64⅝
Rich'son Merrell	25⅜	25⅜
Rockwell Inter.	31⅜	31⅛
Rohm & Haas	33½	34⅛
Royal Dutch	58¼	58¼
RTE	14½	15
Russ Togs	12½	12⅞
Ryder System	25	23¼
[illegible]	[illegible]	[illegible]
United Brands	8¾	8¾
US Bancorp	29½	29⅛
US Gypsum	24¼	25⅜
US Shoe	24⅝	24½
US Steel	25¾	26
US Technologies	42⅝	42¾
UV Industries	19⅝	20⅜
Virginia Elect.	14	14⅛
Walgreen	23½	23⅞
Warner-Commun.	41⅜	41¾
Warner-Lambert	28¼	29
Waste-Man'ment	22⅝	22⅝
Wells-Fargo	26⅞	27⅛
Western Bancorp	35	35¾
Western N. Amer.	27½	27¾
Western Union	16½	16½
Westinghse Elec.	21	21½
Weyvaco	25	25½
Weyerhaeuser	24	25
Whirlpool	22	22
White Con. Ind.	22½	22¼
William Co.	18	18¼
Wisconsin Elect.	8	28
Woolworth	18⅜	18⅜
Wyly	4	4
Xerox	50¾	50½
Zapata	15½	16⅛
Zenith Radio	13¾	14¼
U.S.Treas 4% 1980	93	94
US Treas 4¾% 75/85	†80	80⅜
U.S. 90 day bills	6.88%	6.84%

CANADA

Stock	June 26	June 23
[illegible]	[illegible]	[illegible]
Rio Algom	31½	31¼
Royal Bk. of Can.	32¼	32¼
Royal Trust	19	†18⅞
Sceptre Resources	7⅞	7⅞
Seagram	25⅛	26
Shell Canada	13¼	13⅜
Sherritt G. Mines	5	5¼
Siebens O. G.	28⅞	29¼
Simpson	[illegible]	[illegible]
Steel of Canada	25⅝	25⅜
Steep Rock Iron	2.85	2.88
Texaco Canada	39¾	39½
Toronto Dom. Bk.	19⅝	19¾
TransCanPipeLine	15⅞	16
Trans Mount Ope	9	9
Trizec	†15	13
Union Gas	11	10¾
Utd. Siscoe Mines	7¼	7⅜
Walker Hiram	33⅜	33
West Coast Trans.	11¼	11⅛
Weston (Geo.)	17¼	17¼

† Bid. ‡ Asked. § Traded. ¶ New stock.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	† 10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	9 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½%
Banque du Rhone	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't. Trust	10 %	Rossminster Accept'cs	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½%	E. S. Schwab	11½%
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	11 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½%
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	10 %		
First London Secs.	10 %		
First Nat. Fin. Corpn.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 7%, 1-month deposits 7¼%.

† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 7¼% and over £25,000 7½%.

‡ Call deposits over £1,000 7%.

§ Demand deposits 7¼%.

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
ABN	F360	—	—	8	3	—	-	F362
Akzo	F30	—	—	1.60	10	2.50	11	F29.30
Akzo	F32.50	—	--	1.10	10	2.20	7	F29.30
Boeing	$50	--		5.10	2	--		$50½
E. Kodak	$50	¼	10	—		--	—	$53.06
E. Kodak	$60	¼	5	—	—	3	9	$53.06
Citicorp	$25	½	5	—		2	11	$23.08
IBM	$260	½	4	—		—	--	$262
IBM	$280	1	23	5¼	6	10	4	$262
KLM	F150	-		6.50	36	10	22	F140
KLM	F160	1.30	20	4	35	8	8	F140
KLM	F170	0.80	68	3	23	--	.	F140
KLM	F180	0.50	45	2	35	5	12	F140
KLM	F190	—	—	2.50	5	--	--	F140
KLM	F200	0.40	14	1.50	23	2	10	F140
KLM	F220	—	—	0.60	65	2	20	F140
Nat Ned	F100	--	—	—	--	8.50	1	F104.30
Nat Ned	F120	—	—	1	1	--	—	F104.30
Philips	F25	2	16	—	—	3.40	11	F26.40
Philips	F27.50	0.20	53	1	27	1.80	60	F26.40
R. D. Shell	F120	9.80	8	11.50	10	13.50	1	F129.30
R. D. Shell	F130	--	--	5.20	3	—	—	F129.30
R. D. Shell	F140	0.10	3	-	-	2.70	5	F129.30
Schlumberger	$80	--	—	6.10	1	—	—	$81⅜
Unilever	F110	—	—	12	5	—	—	F120.50
Unilever	F120	—	—	5.10	8	—	—	F120.50
Unilever	F130	—	—	1.40	10	—	.	F120.50

GERMANY ♦

June 26	Price Dm.	+ or —	Div. %	Yld. %
AEG	76.8	−0.3	—	—
Allianz Versich.	487	−1	31.2	3.2
BMW	243.5	−0.7	28.08	5.7
BASF	128.5xd	−1.8	18.76	7.3
Bayer	137.6	−1.0	18.75	6.8
Bayer. Hypo	281	−1	28.12	5.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

June 26	*Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	344		14	2.0
Canon	467	−3	12	1.3
Casio	611	−12	25	2.0
Chinon	365	−5	20	2.8
Dai Nippon Print	542	+4	18	1.7
Fuji Photo	544	−6	15	1.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

AUSTRALIA

June 26	Aust. $	+ or —
ACMIL (25 cent)	†0.63	
Acrow Australia	†0.84	+0.01
Allied Mng. Trdg. Inds. $1	†2.10	+0.05
Ampol Exploration	†1.25	
Ampol Petroleum	†0.82	+0.02
Assoc. Minerals	†1.14	
[illegible]	[illegible]	[illegible]

BRAZIL

June 26	Price Cruz	+ or —	Div. Cruz	Yld. %
Acesita OP	1.06		0.12	11.45
Banco do Brazil	2.03	−0.02	0.17	8.37
Banco Itau	1.28		0.37	28.91
Belgo Mineira OP	2.15	−0.81	0.08	3.72
Lojas Amer. OP	3.12	−0.01	0.20	6.34
Petrobras PP	3.12	−0.08	0.13	4.17
Pirelli	1.46		0.16	10.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Rio de Janeiro SE

OSLO

[illegible]

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand $U.S.0.72 (Discount of 37.39%)

SPAIN ♥

[illegible]

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND ●

[illegible]

PARIS

[illegible]

COPENHAGEN ♣

[illegible]

STOCKHOLM

[illegible]

VIENNA

[illegible]

MILAN

[illegible]

FARMING AND RAW MATERIALS

EEC in talks for world pact on dairy trade

BY MARGARET VAN HATTEM

BRUSSELS, June 26.

PROPOSALS FOR an international framework agreement on trade in dairy products, including a bilateral agreement on EEC imports of New Zealand cheddar cheese will be discussed here tomorrow.

Mr. Brian Talboys, the New Zealand Deputy Prime Minister, will be holding discussions with Mr. Finn Gundelach, the EEC Agriculture Commissioner.

Mr. Gundelach is understood to have discussed the proposals with Mr. Robert Strauss, President Carter's special trade negotiator, in Geneva today.

The framework agreement would include general provisions for the exchange of information on production and marketing of dairy products between the EEC, New Zealand, the U.S., and possibly other countries.

It could also include an agreement on milk-powder prices and the bilateral agreement on cheese.

Opposition to the latter is expected from Ireland, which fears that reopening the UK market to New Zealand cheddar may cut Irish cheese exports to Britain. Mr. Jim Gibbons, the Irish Agriculture Minister, made this clear during last week's farm council in Luxembourg.

The Irish export about 40,000 tonnes of cheddar a year to Britain, where New Zealand—which five years ago was shipping 60,000 tonnes a year to the UK—now has no guaranteed access.

The New Zealanders are seeking guaranteed access for 15,000 tonnes which the British, who consume 220,000 tonnes of cheddar a year, say would be easily absorbed without harm to Irish exports.

However, Mr. Gundelach has said any concessions on cheese imports would have to be reciprocal. This is generally understood to mean that the New Zealanders will get their quotas if the EEC can get increased access to the U.S. market for its own dairy products.

However, lamb and mutton, rather than cheese, are expected to dominate Mr. Talboys' talks with Mr. Gundelach, as they did his meeting with Mr. Roy Jenkins, the Commission President, here today.

Despite repeated assurances from the Commission that its proposed régime for sheepmeat will not in any way affect access to EEC markets, the New Zealanders are still worried that the proposals may be changed in passing through the Council of Ministers.

The Commission is clearly irritated by the increasingly successful New Zealand publicity campaign within the UK in recent months which it believes has built up public hostility to the proposed regime.

If UK retail prices for lamb and mutton increase after its introduction, it will be because of higher UK exports to France, Commission sources said today.

Since the French demand is mainly for very high quality lean lamb, the scope for expansion of UK exports is limited in the short term, and in the long term could increase export possibilities to the UK for New Zealand, they added.

Farm support cost

BY OUR COMMODITIES STAFF

THE INTERVENTION Board for Agricultural Produce last year spent £312.3m of UK Treasury and European Community money on supporting the UK farm market.

It also collected £71.1m in levies and a further £20.1m from the sale of cold store stocks of butter, beef and other commodities.

The UK's share of spending was lower than in 1976—£85.5m compared with £92.5m—mainly because the bulk of the cost of subsidies paid on butter was taken over by the EEC farm fund.

Most of this went on buying in surplus dairy produce. Almost £43m—twice as much as in 1976—was spent to buy unwanted skimmed milk powder. Spending on surplus butter also increased by the same proportion to £20.5m.

There was less need for support in the beef market and the cost of both support buying and deficiency payments was greatly reduced.

Bill for the general butter subsidy, mostly taken over by the EEC, cost £14m, compared with £67m in 1976.

During the year a total of 32,508 tonnes of fish were withdrawn from the market. All but a tiny fraction was mackerel.

Egg farms heed glut warnings

By Our Commodities Staff

THE DANGEROUS expansion of British egg production appears to have stopped. In April placings of layer chicks in egg batteries fell 1 per cent below the figure recorded in April last year.

In the first three months of 1978 placings were 5 per cent more than during the comparable period of 1977. This surge followed increases during the second half of last year averaging 3 per cent above placings in 1976.

Until April, farmers appeared to be ignoring repeated warnings from the Eggs Authority about overstocking.

Producers are now feeling the impact of their earlier expansion. Egg prices are low and some farmers are reported to be losing 12p on every dozen sold.

Placings in the EEC as a whole were 2 per cent down between January and the beginning of April following six months when placings were 7 per cent higher than a year earlier.

Placings in Belgium fell 4 per cent, France 5 per cent, and there was a reduction in both Italy and West Germany of 6 per cent. In Holland, however, expansion continued.

Zaire copper production

KINSHASA, June 26.

ZAIRE'S COPPER production this year is likely to reach about 380,000 tonnes, compared with nearly 460,000 tonnes in 1977 and the 525,000 tonnes originally projected for 1978, sources close to the mining industry told Reuter today.

Output in Kolwezi — main target of the rebel invasion—seemed to be down to about one-fifth. Elsewhere in Shaba Province production continued closer to normal.

Kolwezi production was running at about an annual rate of 130,000 tonnes of concentrate and mine crews were using ore stockpiled before the invasion. Normal concentrate production is about 650,000 tonnes.

The sources said at present skilled technical personnel were limited to eight Zairean engineers and about a dozen expatriates who are being flown in regularly from Lubumbashi, the provincial capital 200 miles east of Kolwezi.

Quality tea sale

By Our Commodities Staff

THE AVERAGE price of quality grade tea sold at the weekly London Tea auctions yesterday fell 3p to 132p a kilo. Medium quality fetched 124p—down 1p—and plain grades were unchanged at 80p a kilo.

CHIPBOARD MARKET

Imports squeeze UK mills

BY A SPECIAL CORRESPONDENT

BRITISH CHIPBOARD manufacturers have warned the Government that if imports continue to take their present share of the UK market some mills will be forced to close. The loss of jobs in the industry itself would be relatively small but as the effect worked back to transport and forestry workers and ancillary service trades the number would mount.

The British industry is probably in a position to raise a clamour which is disproportionate to its size for at least two of the mills are in politically sensitive areas. The Government majority in the constituency at Cowie, where the Caberboard mill is situated, is in the low hundreds and the Weyroc Hexam factory is in an area of high unemployment.

In a written answer to a Parliamentary question last month, the Prime Minister said the Department of Industry was considering assistance for Hexam under the Industry Act.

Certainly trade statistics give point to the plight of the British industry. In the first quarter of this year imports rose by 18 per cent compared with the first quarter of 1977. The production from British mills dropped by 25 per cent.

Chipboard production in this country has always been vulnerable to the peaks and troughs in the demand from its two main customer industries—construction and furniture manufacture—and is really viable only at times of strong demand.

Since the war a number of mills have closed or have been acquired by one of the larger units and subsequently run down. The present crisis, which in varying degree of severity applies to the whole of the industry in Western Europe, is the direct result of production capacity in Europe being far in excess of demand for the past four years.

Recognising the trend early this year, British producers lodged a dumping complaint against the Swedish and Spanish exporting mills with the EEC commercial division in Brussels. Following a meeting early in February these countries agreed minimum prices at which they would ship their board into this country for the next 12 months.

It is significant that the statistics for the first quarter show it was Belgium, a member of the EEC against whom no dumping action can be taken, was our principal supplier, some way behind was Sweden, then Finland, with Spain in fourth place.

With minimum prices established from two directions, the British mills hoped that their trade would as least stabilise or even improve, but this has not happened and the April figures show a continuing decline and an increase in supplies from Finland.

There is some evidence that the attitude of the EEC Commissioners towards the British producers is hardening. At the February meeting, the Swedish producers had to agree to limit the fulfilment of their future UK contracts at the old lower prices so that a number of contracts had to be renegotiated at the higher minimum prices.

The Finnish producers were the next to be taken to Brussels and accused of dumping by the British mills; again minimum prices were agreed, but the Finns were allowed to fulfil their outstanding contracts on the original terms.

The British mills then complained that some Swedish producers were not abiding by the February agreement. But after another investigation, Brussels found that this complaint failed.

In a series of meetings between the Department of Industry and the importing trade the Government appears to take the somewhat naive view that the importers who are also distributors of home-produced board, should first fill the British mills with orders to the full extent of their capacity (about 40 per cent of our total requirements) and only import the balance. This ignores entirely the complexities of quality, specification and service.

Some home mills do not produce the sizes demanded by the furniture trade. Where further overlaying with melamine, pvc, real wood veneer or other finishes is required, special qualities in the surface of the chipboard are demanded and again some UK brands are not acceptable. This cuts them off from much of the cabinet furniture and kitchen unit end uses.

Over the years many furniture factories have established their production on imported brands whose qualities they appreciate and trust. They see no reason to change.

The importers and distributors maintain that they do not discriminate against the British production and if the sizes, qualities and service demanded by the end-user industries were all available in the British product at the right price then it would sell.

In the present state of demand it is difficult to see the British chipboard industry remaining intact at its present strength—either there will have to be one or two mill closures or the Government will have to step in with aid.

Feed companies lose their EEC lead

BY CHRISTOPHER PARKES

THE BRITISH animal feed manufacturing industry is the Cinderella of the Common Market. Its output and labour records compare badly with those of companies elsewhere in the EEC, a market survey published by Jordan Dataquest shows.

British compounding, bigger than any other EEC country's feed industry in 1970, producing 22 per cent of total EEC output, has now been overtaken by West Germany, France and Holland.

The survey notes that the number of compounders in Britain is declining. Livestock numbers in the UK are also falling. Wages, on the other hand, have increased "markedly," and staffing levels have risen.

Between 1970 and 1976, total production of compound feeds in West Germany, for example, climbed 35 per cent to 13m tonnes a year. This gave West Germany's industry a 20.3 per cent share of total Community output.

In France, the relative increase was even more startling—up 61 per cent. In Holland, too, production rose 44 per cent to 11.39m tonnes.

In the UK, output increased only 3.2 per cent to 11.35m tonnes, giving Britain's companies 17.6 per cent of overall Common Market production.

The survey points out that part of the loss of ground can be attributed to the technical and structural superiority of the British feed industry in the 1960s.

In spite of the contraction, the number of jobs in the industry has increased from 30,100 in 1973 to 31,100 during 1976.

● The International Wheat Council has increased its first estimates of world wheat output this year to between 400m and 410m tonnes, compared with an earlier forecast of 395m to 405m tonnes.

Coffee smugglers hit Uganda exports

BY OUR OWN CORRESPONDENT

NAIROBI, June 26.

OUT OF 12,600 tonnes of Arabica coffee produced last year in Uganda, only 2,600 tonnes were officially exported. "It is presumed that an estimated 10,000 tonnes of arabica was smuggled out of Uganda into neighbouring countries," said Brig. Moses Ali, Uganda's Finance Minister, presenting his budget over the weekend.

Uganda's economy recovered last year due to the high prices for its coffee exports, said Brig. Ali. Coffee production in the 1976/1977 crop year, which ended on September 30, increased from 137,000 tonnes to 156,000 tonnes. Of this robusta coffee accounted for 123,000 tonnes.

Cotton production declined from 133,400 bales in the previous year to 74,300 bales in 1976/77. Production of tea, tobacco and sugar also fell.

"Management problems" were blamed for the decreased output of the manufacturing sector.

Due to the high world prices for coffee Uganda's exports had risen by 65 per cent over the previous year. The gross domestic product rose by 1.5 per cent, but prices had gone up due to "unscrupulous businessmen and women who took advantage of a difficult situation to charge very high prices."

In London meanwhile, Mr. George Ford, chairman of the International Coffee Organisation, said there may be a return to a more normal world coffee economy if there is no serious frost in Brazil this July and if there are no other major disasters in other producing countries.

Mr. Ford said between now and September, 1978 the coffee producing and importing countries are due to review, and maybe revise, the international coffee market price which, when reached, would trigger off the introduction of export quotas in coffee producing countries. The present level of the trigger price is only 77.46 cents per lb.

Rise for Polish stock farmers

BY CHRISTOPHER BOBINSKI

WARSAW, June 26.

THE POLISH authorities have raised the prices paid to meat producers in an attempt to boost production after a slowdown in recent months. Beef producers will get another 16 per cent and pork producers another 9 per cent.

Meat deliveries and prices are one of the most important factors which determine the mood of the population and the issue has brought factory stoppages and demonstrations twice since 1970.

Consumer prices for meat have not been changed since 1967.

Feed shortages and rising costs have hit farmers hard in the past year. Potatoes are costing 60 per cent more than last year in some areas as a result of wet weather at harvest time.

It is estimated that today's decision will put around 6.5bn zloty (£106m) extra into the farmers' pockets this year and their income next year will rise by ZL 14.5bn.

It also means that the 74 per cent subsidy paid by the state towards consumer meat prices will rise to 83 per cent.

Voices in Government circles have been raised warning about the inflationary effects of such a decision and arguing that the fragmented structure of the farming system is at the root of the problem rather than low prices.

Meat production in Poland is to a significant extent based on smallholders who keep one or two animals and who need large price increases to stimulate production.

Larger farms, it is argued, would be less susceptible to temporary fluctuations in production costs and smaller price increases would be effective in securing production growth.

Moves to raise consumer meat prices were also revealed today by the rural party daily Dziennik Ludowy.

According to the daily, around 300,000 tons of better-quality meat out of the total annual amount of 1.6m tons sold to Polish consumers will be sold in "commercial" shops and delicatessens where prices are up to 100 per cent higher than in normal meat shops.

The shift of the better-quality meat to the more expensive shops leaving the lower-quality meat at the old prices will be done, the daily says, "slowly and with care."

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Slightly firmer in subdued trading on the London Metal Exchange. After dipping to £717 initially owing to short selling on the pre-market forward metal rallied to £720 following the large fall in warehouse stocks. In the afternoon the price edged higher in quiet trading to touch £723 prior to closing at £722.5 on the late kerb. Turnover 8,250 tonnes.

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £721, 22, 21, 21.5, 21, 20.5, 20. Cathodes, cash £696, 95.5, three months £715.5. Kerb: Wirebars, three months £720, 20.5, 21, 21.5, 21. Afternoon: Wirebars, three months £723, 23.5, 24, 23.5, 23. Kerb: Wirebars, cash £703, three months £723.5, 23, 22, 21.5, 22, 22.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	†+ or —
	£	£	£	£
Wirebars				
Cash	699.5-700	—1.5	703-.5	+2.5
3 months	720-.5	—1	723-.5	+3
Settl'm'nt	700	—1.5	—	......
Cathodes				
Cash	696.5-6	—1.5	699-700	+3
3 months	715.5-6	—1	719-20	+3.5
Settl'm'nt	696	—1.5	—	......
U.S. Smt.	—	......	*66.5-68	......

COMPANY NOTICES

LEGAL NOTICES

TIN—Barely changed. Forward metal opened on a steady note at £6,650 despite the substantial rise in the Penang price with trade and hedge selling following a smaller than expected decline in the warehouse stocks. The price eased back to £6,645 on the morning kerb and fell further in the afternoon to touch £6,610 before ... £6,635 on the late kerb. Turnover ... tonnes.

LEAD

ZINC

SILVER

COCOA

COFFEE

Fresh liquidation following a troublefree weekend ...

GRAINS

SOYABEAN MEAL

SUGAR

WOOL FUTURES

JUTE

RUBBER

MEAT/VEGETABLES

... Israeli: 3.25; Egyptian: 2.80; Spanish: 2.50. Potatoes—Cypriot: 3.60; Brittany: 2.50; Jersey: 55-lb 3.00. Tomatoes—Dutch: 3.20-3.30; Guernsey: 3.40-3.60; Jersey: 3.20; French: 3.00. Carrots—French: Nets 2.50; Nantes 26-lb boxes 3.50; Italian: 3.30; Cypriot: 2.80. Asparagus—Californian: Per lb 1.40. Beetroot—Cypriot: 22lb 2.90.

English Produce: Potatoes—Per 56-lb 2.50-3.00. Lettuce—Per 12 0.60, Cos 0.90, Webbs 0.70. Onions—Per 56-lb 1.50-1.60. Rhubarb—Per lb, outdoor 0.05. Cucumbers—Per tray 12/24s 0.90-1.20. Mushrooms—Per lb 0.50-0.55. Apples—Per lb Bramley's 0.10-0.20. Tomatoes—Per 12-lb English 3.00-3.20. Greens—Per crate, Kent 1.30, Cabbage 1.50. Celery—Per 12/18s 2.50-3.00. Strawberries—Per ½-lb 0.18-0.20. Cauliflowers—Per 12 Lincoln 1.60-2.00. Broad Beans—Per lb 0.60-0.70. Peas—Per lb 0.12-0.13.

Rubber output down again in Malaysia

By Our Own Correspondent

KUALA LUMPUR, June 26

PENINSULAR MALAYSIA'S rubber production fell for the third consecutive month in March, bringing the cumulative output for the first quarter to 357,000 tonnes—33,700 tonnes less than the comparable period last year.

This represents a decline of 8.6 per cent. Production in March was 87,367 tonnes.

The decline in palm oil output was reversed in March, with production increasing by 28 per cent to reach 98,000 tonnes.

PRICE CHANGES

Prices per tonne unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

LIVERPOOL COTTON. ...

LONDON PALM OIL ...

U.S. Markets

Wheat loan rate rise aids market

NEW YORK, June 26.

METALS WERE featureless with no major incentive. Soyabeans firmed on basis of a positive export figure, while the wheat loan rate was increased by 10 per cent lending support to that market. Platinum was up $4 on speculative buying. Sugar and coffee trading very light, Bache reports.

Cocoa—July 146.90 (147.20), Sept. 141.90 (141.95), Dec. 136.65, March 133.35, May 131.10, July 129.00, Sept. 126.95. Sales: 688.

Coffee—"C" Contract: July 162.00-162.50 (160.90), Sept. 147.50 (145.93), Dec. 136.50-137.00, March 126.50-127.25, May 123.38 nom., July 119.00-120.50, Sept. 116.80-117.50. Sales: 280.

Copper—June 58.50 (59.30), July 59.50 (59.40), Aug. 60.10, Sept. 60.70, Dec. 62.50, Jan. 63.10, March 64.10, May 65.10, July 66.10, Sept. 67.10, Dec. 68.60, Jan. 69.10, March 70.10. Sales: 3,705.

Cotton—No. 2: July 58.70-59.00 (59.07), Oct. 61.90-62.00 (62.06), Dec. 63.35-63.45, March 64.40-64.50, May 65.15-65.50, July 65.75-66.00, Oct. 65.00 bid, Dec. 64.75 bid. Sales: 3,250.

*Gold—June 185.10 (185.80), July 185.10 (186.10), Aug. 186.50, Oct. 189.40, Dec. 192.40, Feb. 195.40, April 198.50, June 201.60, Aug. 204.70, Oct. 207.80, Dec. 211.00, Feb. 214.20, April 217.40. Sales: 3,995.

†Lard—Chicago loose 22.50 (not avail.). NY prime steam not available.

†Maize—July 256½-256¼ (257½), Sept. 257-257¼ (258¼), Dec. 259¾-259½, March 266½, May 270¼, July 271½.

STOCK EXCHANGE REPORT

Gilt-edged lead fresh retreat in uncertain markets

Falls to ¾ while 30-share index loses 3.3 to 453.0

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 12	Jun. 22	Jun. 23	July 4
Jun. 26	July 6	July 7	July 18
July 10	July 20	July 21	Aug. 1

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Worried by the general uncertainties, investors continued to hang fire at the start of the new Account yesterday and the result was a further deterioration in both British Funds and equities. With few major pointers scheduled this week, the funds were reflecting concern about the trend in short-term interest rates not only in the U.S. but also at home. Inflationary and election pressures were also being registered, a combination which led to the longer-dated issues showing losses to ¾ during the early session.

Views that part of the selling was necessary in order to finance today's call of £30 on the long tap Exchequer 12 per cent 2013-17 were not conclusive but selling pressure on the stock lessened considerably. Attempts to rally lacked substance until the late afternoon business when the shorts attracted bear covering and eventually regained ¼ or so to close a maximum of ½ down on the day. Longer maturities followed and similarly reduced their losses to ½.

Equity markets went lower with the funds and recovered in accordance with that sector. Selling was of little consequence—bargains marked at 4,394 were the lowest for the start of an Account since January 3—but genuine buyers refused to be drawn by the cheaper price levels. The FT Industrial Ordinary share index was 5.0 down at the 1 p.m. calculations but closed a net 3.3 easier at 453.0, its lowest since April 17, while the falls to rises ratio in FT-quoted Industrials widened to 3-to-1.

Influenced by the latest setback in the main funds, Corporations lost as much as a full point, while recently-issued scrips such as Southend-on-Sea 12 per cent, 1987, and Barnet 12½ per cent, 1987 (both £10-paid), were around ½ down at 8½ and 9¾ respectively. First-time dealings were uneventful in three new Preference stocks, all issued by way of capitalisation to Ordinary holders: Allied Leather 9 per cent closed at 90p, while JB Holdings 10 per cent settled at 97p and F. Miller 11 per cent at 95p.

Notable only for a marked lack of activity, the market in investment currency drifted lower and the premium gave up a point finally at 110 per cent, after 109¾ per cent. Yesterday's SE conversion factor was 0.6688 (0.6666).

After a fairly busy morning session, interest in Traded Options later waned and subsequently only 100 contracts were added to the mid-day total of about 256. Grand Metropolitan with 118 contracts done, provided nearly a third of the modest total, while ICI followed with 76.

Insurances easier

The threat of an insurance exchange similar to Lloyd's of London being established in New York additionally unsettled Insurance Brokers which closed with falls that ranged to 5. Minet, 183p, and Willis Faber, 247p, were both that much cheaper, while Alexander Howden gave up 4 to 158p and C. E. Heath declined 3 to 240p, after 237p. Leslie and Godwin, however, displayed resilience and edged forward a penny to a 1978 high of 107p on renewed bid speculation. Elsewhere, Pearl lost 8 to 220p among life issues where Britannic relinquished 4 to 156p.

The major clearing banks moved within narrow limits and closed with modest losses. Elsewhere, Hong Kong and Shanghai shed 6 to 305p but Standard Chartered held firmly at 385p in front of today's preliminary results. Mirroring the dull trend in gilts, Union lost 10 to 305p among Discount Houses. Profits in line with forecasts and a proposed 20 per cent scrip-issue helped Cattles Holdings harden 1½ to 35½p.

Leading Building descriptions encountered small selling and finished with modest falls. Richard Costain, ex the scrip issue, opened 4 lower in an attempt to establish a trading level, but remained untested and ended that much down at 178p. John Laing A, 170p, and Taylor Woodrow, 358p, also eased 4, but occasional speculative buying and a little option business left Norwest Holst a couple of pence to the good at 98p. Buying interest also developed for Francis Parker which added ½ to 16½p after touching a 1978 peak of 17p. Elsewhere, Wettern Brothers shed 3 to 95p in response to the Board's rejection of the offer from W. J. Glossop, while Modern Engineers of Bristol lost 2 to 35p on small selling in a thin market.

Fortnum & Mason up

ICI typified market conditions, easing 4 to 366p after 365p, but Fisons held steady at 360p aided by favourable Press mention. William Ransom shed 10 to 190p in a restricted market.

In Televisions, Trident improved ½ to 46p, after 46½p, on the interim profits and the chairman's optimistic remarks.

Leading Stores began the new Account on a quietly dull note. Sporadic small offerings in an unwilling market left Gussies A and Mothercare down 4 apiece at 262p and 153p respectively. House of Fraser relinquished 3 to 130p and Marks and Spencer closed a penny lower at 139p, after 138p. Elsewhere, modest demand in a thin market lifted Fortnum and Mason 20 to 675p, while Walker and Staff hardened a penny to 24p in response to the higher annual earnings. Empire declined 4 to 160p as did Austin Reed A to 88p.

Thorn were notably dull at 317p, down 7, in idle Electricals where Electrocomponents edged forward 2 to 430p in front of tomorrow's preliminary figures.

After absorbing early profit-taking, John Brown moved forward on further consideration of the better-than-expected annual profits announced last Friday and closed 4 up at 376p. Other Engineering leaders, however, failed to follow and drifted easier. Elsewhere, John Booth (Bolton) became a late casualty at 30p, down 4, in reaction to the sharp contraction in preliminary profits. A weak market of late following the poor interim figures, Westland Aircraft cheapened 1½ more to 30p on reports that the group is on the point of sending dismissal notices to 2,000 workers at its Yeovil helicopter plant. Staveley Industries, 255p, and Wolseley-Hughes, 180p, fell 7 and 9 respectively, while Whitehouse dipped 5 to 85p. A Press prediction that the company will report bumper annual results today helped Tecalemit to put on 2 to 135p, while Fluidrive, at 80p, recorded a Press-inspired improvement of 1½. G. M. Firth were wanted at 26½p, up 2½, and Greenbank hardened a similar amount to 49p.

Renwick better

Comment on last week's dividend omission and profits setback created a fair amount of business in J. Lyons which closed another 2 cheaper at 72p in lacklustre Foods. Spillers finished a shade easier at 28p, while Tate and Lyle, 172p, and Associated Dairies, 220p, shed 2 apiece. Of the isolated firm spots, Highgate and Job hardened 1½ to 47p xd and Meat Trade Suppliers moved up 2 to 83p. Supermarkets finished narrowly irregular. Following last week's activity generated by the results, interest in Tesco subsided and the shares closed a shade easier at 42p xd; sentiment was not affected by news that the former chairman Mr. Hyman Kreitman had substantially reduced his shareholding.

Political and economic uncertainties continued to deter investment interest in the miscellaneous Industrial leaders. Glaxo led the retreat at 540p, down 12, while Unilever declined 8 to 512p. Beecham lost 7 to 630p and Bowater gave up 5 to 191p. A firm market of late in response to excellent results and a proposed 100 per cent scrip issue, Pilkington receded 6 to 520p xd. Secondary issues were featured by a further gain of 3 to 69p, after 70p, in Toye on continuing bid speculation, while buying in front of today's results helped Renwick add 4 at 45p. A combination of investment and speculative demand helped to bring a gain of 2 to 79p, after 80p, in Bath and Portland. Barr and Wallace Arnold Trust "A" improved 3 to 103p. Norcros touched 85p following the record results before closing a fraction dearer on balance at 84½p. I.C. Gas, on the other hand, lost 10 more to 338p on further nervous offerings in front of today's results and Sotheby Parke Bernet at 278p, lost 7 of the recent rise which followed publicity given to it's record Von Hirsch art auction. Lower profits unsettled Whitecroft which shed 5 to 207p, while Low and Bonar came on offer at 167p, down 6.

Motors and Distributors showed the occasional modest loss. Dowty, which reported preliminary figures on July 21 last year, reacted 4 to 194p, while similar falls occurred in Lucas Industries, 293p, and Appleyard, 89p. Henlys shed 6 to 120p ex the rights issue, while the new nil-paid shares opened at 18p premium before drifting easier in light trading for a close of 12p premium. Against the trend, Hanger Investments improved 2½ to 45p.

Newspapers drifted lower on lack of buyers and a few small sellers. News International, 245p, and Thomson, 230p, both cheapened 5, but Daily Mail A firmed 3 to 298p; the last-named is due to announce annual results next week. Elsewhere, Associated Book Publishers, 230p, gave back 7 of Friday's speculative rise of 14 and Mills and Allen lost a like amount to 175p.

Properties gave ground in thin trading on a revival of dearer credit fears but closed slightly above the worst. Stock Conversion cheapened 10 to 228p. In contrast, Avenue Close mirrored Newspaper comment and firmed 4½ to 75p xd and, awaiting the outcome of bid discussions with an unnamed Continental group, English Property hardened fractionally to 44p, after 44½p. Bellway Holdings added a penny to 63p on continued speculative interest.

Increased London selling pressure left British Petroleum 10 easier at one stage, but the close was only 6 lower at 844p. Shell, firm last Friday on its 24.5 per cent stake in the British National Oil Corporation's concession and hopes of an end to dividend restrictions drifted 7 lower to 540p on lack of buyers. Small offerings left Lasmo "ops" 7 down at 318p, while Oil Exploration suffered further profit-taking and shed 10 at 230p.

Sime Darby, 3 better at a 1978 peak of 89p, provided an isolated firm spot in otherwise little-changed Overseas Traders.

Investment Trusts drifted gently lower, mirroring general market conditions. Jardine Securities, a firm market of late, lost 4½ to 131½p, while continuing concern about the success of the Barclays Bank Post Office Pension Fund bid clipped 4 from Investment Trust Corporation at 257p. In Financials, Britannia Arrow finished a penny harder at 15½p helped by Press comment.

Apart from Common Bros., 8 off at 122p in a restricted market, losses in Shippings were limited to a penny or two.

Awaiting today's interim report, BAT Industries Deferred attracted only a small business and closed 2 easier at 274p.

Guthrie came to the fore in Plantations, rising 13 to 285p in response to small buying in a restricted market.

Australians firm

Australian mining issues extended Friday's rally as a strong showing in overnight Sydney and Melbourne markets prompted jobbers to mark up prices from the outset of business.

Thereafter, renewed speculative and investment demand enabled them to move further ahead and close at the day's best levels.

Rises were widespread and often substantial. The two Australian partners in the Ashton venture exploring for diamonds in the Kimberly region of Western Australia both enjoyed a good day: Northern Mining advanced 17 to 107p—a two-day gain of 27—while the major participant—Conzinc Riotinto—climbed 6 to 236p.

Base-metal miners all gained ground. Western Mining, 150p, BH South, 114p and North Broken Hill, 125p, registered rises of between 5 and 7 while Bougainville hardened 3 to 117p.

Favourable Press comment lifted Metals Exploration by 2½ to 29½. In Uraniums, Pancontinental added ¼ at £13 and EZ Industries closed 5 firmer 235p.

Among South African issues De Beers continued to attract a good deal of attention; after opening at 411p and touching 404p following London selling, the price picked up to close 5 cheaper on balance at 407p following news of the extension of the life of the company's Premier diamond mine.

On the other hand, South African Gold shares tended to drift in subdued trading reflecting the easier bullion price which closed $1 down at $185.125 per ounce.

Losses however, were exaggerated by some mines going "ex" the June dividend payments. The Gold Mines index relinquished 3.4 to 158.1 but the index, in cum-dividend terms, was only 1.0 easier at 160.5.

London-based Financials were generally a few pence lower in sympathy with UK equities, while South Africans marked time.

Elsewhere, Anglo United Development advanced 21 more to 236p for a two-day gain of 52. Sabina came in for Irish and Canadian support and closed 6 higher at 68p.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	3	67	7
Corpns., Dom. and Foreign Bonds	1	38	26
Industrials	174	533	832
Financial and Prop.	47	239	233
Oils	5	17	12
Plantations	11	3	18
Mines	36	44	46
Recent Issues	3	18	22
Totals	280	959	1,196

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BATs Dfd.	25p	14	274	−2	296	227
De Beers Dfd.	R0.05	12	407	−5	412	285
ICI	£1	11	366	−4	396	328
Bowater	£1	10	191	−5	205	163
Shell Transport	25p	8	540	−7	586	484
Grand Met.	50p	7	102	−1	117½	87
BP	£1	6	844	−6	892	720
Brown (J.)	£1	6	376	+4	378	231
GEC	25p	6	251	−4	278	233
H K. & Shanghai	$HK2.50	6	305	−6	327	203
Lloyds Bank	£1	6	250	−2	297	242
Land Securities	50p	6	203	−2	228	190
Lonrho	25p	6	60	—	78	60
Ultramar	25p	6	235xc	−2	276	182
Unilever	25p	6	512	−8	548	476

FINANCIAL TIMES STOCK INDICES

—	June 26	June 23	June 22	June 21	June 20	June 19	A year ago
Government Secs	68.88	69.21	69.68	69.75	69.74	69.94	68.39
Fixed Interest	71.07	71.62	71.95	72.00	72.00	72.29	68.15
Industrial Ordinary	453.0	456.3	452.7	455.6	463.4	467.0	459.6
Gold Mines	158.1§	161.5	161.0	164.5	164.2	160.1	110.9
Ord. Div. Yield	5.84	5.79	5.84	5.80	5.75	5.66	5.13
Earnings Y'ld% (full)(*)	16.88	16.74	16.86	16.76	16.48	16.31	15.49
P/E Ratio (net)(*†)	7.94	8.01	7.94	7.99	8.12	8.23	9.41
Dealings marked	4,394	4,436	4,898	5,057	4,771	4,480	4,897
Equity turnover £m	—	91.94	85.39	67.88	66.94	56.12	70.14
Equity bargains total	—	15,699	14,513	13,256	14,528	13,524	14,523

10 am 453.6. 11 am 453.0. Noon 451.8. 1 pm 451.3. 2 pm 451.4. 3 pm 451.5.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.76.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942. § Cum. div. 160.5.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (4/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (5/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (5/6)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 26	June 23
—Daily		
Gilt-Edged	151.2	132.6
Industries	151.5	151.5
Speculative	45.9	39.7
Totals	100.0	101.0
5-day Av'rage		
Gilt-Edged	151.8	152.1
Industrials	164.7	165.8
Speculative	40.9	39.9
Totals	107.2	107.6

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (24)

FOREIGN BONDS (1)
Uraguay 3½pc

AMERICANS (1)
Int. Systems Controls

BUILDINGS (1)
Francis Parker

CINEMAS (1)
Howard and Wyndham

DRAPERY AND STORES (1)
Wades "A"

ENGINEERING (2)
Cornercroft — Greenbank Ind.

INDUSTRIALS (5)
Barr & Wallace Arnold "A" — Toye
Biddle — "W" Ribbons
Wood (A.)

INSURANCE (1)
Leslie and Godwin

PROPERTY (1)
Avenue Close

TRUSTS (3)
G. T. Japan — Sizewell
Scot. and Cont. Inv.

OVERSEAS TRADERS (1)
Sime Darby

RUBBERS (2)
Chersonese — [illegible] Kepong

TEAS (1)
Blantyre

MINES (3)
Mincorp — Sungei Besi
Beralt[illegible]

NEW LOWS (80)

BRITISH FUNDS (29)
Treas 9pc 1980 — Exch. 10pc 1983
Treas. 9½pc 1980 — Funding 5½pc 82-84
Exch. 13pc 1980 — Treas. 7¼pc 1985-88
Treas. 9½pc 1981 — Treas. 13pc 1990
Exch. 8¼pc 1981 — Treas. 12¼pc 1992
Exch. 9½pc 1981 — Treas. 12pc 1995
Treas. Variable 1981 — Exch. 10¼pc 1995
Exch. 12¼pc 1981 — Treas. 13¼pc 1997
Treas. 8¼pc 1980-82 — Treas. 8pc 2002-06
Exch. 9¼pc 1982 — Treas. 5½pc 2008-12
Exch. 9¼pc 1982 A — Treas. 7¾pc 2012-15
Exch. 8¼pc 1983 — Exch. 12pc 2013-17
Exch. 3pc 1983 — Consols 4pc
Treas. 12pc 1983 — War Loan 3½pc
Treas. 9½pc 1983

CORPORATION LOANS (3)
Bristol 7¾pc '79-81 — LCC 6¼pc 1985-90
Glasgow 9¼pc '80-82

LOANS (2)
FFI 13pc 1981 — ICFC 7¼pcADb. 1989-92

FOREIGN BONDS (1)
Peru Ass. 3pc

BANKS (2)
Mid. Bk. 7½pc '83-93 — NatWest

BEERS (2)
Bulmer (H. P.) — Highland Distilleries

BUILDINGS (4)
Gleeson (M. J.) — Modern Eng.
Kent (M. P.) — Ward Hldgs.

DRAPERY AND STORES (1)
Audiotronic

ELECTRICALS (3)
Lawrence Scott — Thorn Elect.
Pye

ENGINEERING (6)
Alcan Aluminium — Tube Invs.
Hunt and Moscrop — Vickers
Serck — Whessoe

FOODS (1)
Lockwoods

INDUSTRIALS (8)
Abbey — Nat. Carbonising
French (T.) — Sandalls
Glever Group — Utd. Gas Inds.
MAMS — Wilson Walton

INSURANCE (5)
Bowring (C. T.) — Matthews Wrightson
Equity and Law — Willis Faber
Heath (C. E.)

PROPERTY (5)
Centrovincial — Jermyn Inv.
Do. Cap. — Land Investors
Dorrington

SHIPPING (2)
Ocean Transport — P & O Defd.

SHOES (1)
Booth Intl.

TEXTILES (1)
Homfray

TRUSTS (3)
Archimedes Inc. — Martin (R. P.)
Erskine House

OVERSEAS TRADERS (1)
Paterson Zochonis

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 20	July 3	Sep. 14	Sep. 26
July 4	July 17	Sep. 28	Oct. 10
July 18	July 31	Oct. 12	Oct. 24

For rate indications see end of Share Information Service

Money was given for the call in Fitch Lovell, S. and U. Stores, Racal Electronics, Queen's Moat, English Property, J. Lyons, Amalgamated Distilled Products, Barker and Dobson, Grand Metropolitan, UDT, Land Securities, Britannia Arrow, Audiotronic and Ward White. A put was done in Barker and Dobson, while doubles were arranged in Lonrho, English Property, Barker and Dobson, Audiotronic and Ward White.

LONDON TRADED OPTIONS

Option	Exercise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	98	—	112	—	132	—	841p
BP	800	48	—	72	—	92	—	„
BP	850	12	—	44	—	69	—	„
BP	900	2	—	18	2	50	—	„
Com. Union	140	6	—	14	2	18	—	142p
Com. Union	160	[illegible]	—	[illegible]	[illegible]	[illegible]	—	„
Cons. Gold	160	13	—	20	—	25	—	171p
Cons. Gold	180	2	12	8	10	15	3	„
Cons. Gold	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	„
Courtaulds	100	14½	—	19	—	20	—	115p
Courtaulds	110	6	—	11	9	13½	—	„
Courtaulds	120	1½	—	5½	13	9½	2	„
Courtaulds	130	½	—	2½	4	—	—	„
GEC	220	35	—	40	—	47	—	251p
GEC	240	14	—	24	—	34	—	„
GEC	260	4	8	14½	3	23	2	„
GEC	280	1½	—	7	—	14	—	„
Grand Met.	100	4	—	9	—	12	—	102p
Grand Met.	110	1½	—	4½	21	8½	7	„
Grand Met.	120	¼	—	2¼	20	5¼	46	„
ICI	330	39	10	46	19	51	5	366p
ICI	360	11½	18	21	6	31	5	„
ICI	390	2	5	8	8	18	[illegible]	„
ICI	420	½	—	4	—	11	—	„
Land Secs.	180	[illegible]	—	[illegible]	—	[illegible]	—	202p
Land Secs.	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	„
Land Secs.	220	[illegible]	—	[illegible]	—	[illegible]	—	„
Marks & Sp.	120	20	—	25	—	27	—	138p
Marks & Sp.	130	[illegible]	—	[illegible]	—	[illegible]	—	„
Marks & Sp.	140	3	—	9½	—	[illegible]	—	„
Shell	500	44	—	61	—	72	—	541p
Shell	550	11	—	26	5	41	1	„
Shell	600	1	—	11	—	21	1	„
Totals			78		196		83	

RECENT ISSUES

EQUITIES

Issue Price p.	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
75	F.P.	30/6	85	65	Brunell (A.D.)	85	[illegible]	[illegible]	2.5	8.0	4.5
100	F.P.	[illegible]	[illegible]	[illegible]	Eurotherm	161	[illegible]	[illegible]	[illegible]	2.5	15.3
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Timber Plywood	34	[illegible]	[illegible]	[illegible]	8.9	7.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p.	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Groups & Sub-sections	Mon., June 26, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. June 23 Index No.	Thurs. June 22 Index No.	Wed. June 21 Index No.	Tues. June 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	206.51	−1.0	18.29	5.86	7.63	208.64	208.58	210.15	212.85	184.23
2	Building Materials (28)	184.32	−1.4	18.95	5.92	7.59	186.95	187.85	188.56	190.12	153.37
3	Contracting, Construction (26)	330.40	−0.8	20.96	4.27	6.93	332.93	333.91	339.22	340.69	252.93
4	Electricals (15)	437.18	−1.4	15.74	4.17	9.01	443.25	439.65	442.34	450.89	370.48
5	Engineering Contractors (14)	304.96	−1.2	19.67	6.69	6.77	308.73	309.81	314.15	317.16	261.56
6	Mechanical Engineering (72)	166.75	−0.7	19.14	6.41	7.11	167.90	167.59	169.38	172.52	165.09
8	Metals and Metal Forming (16)	159.94	−0.7	17.91	8.80	7.61	161.02	160.99	162.06	162.99	151.45
	CONSUMER GOODS										
11	(DURABLE) (52)	190.79	−1.0	17.81	5.05	7.89	192.63	193.09	195.21	197.57	173.09
12	Lt. Electronics, Radio TV (15)	225.35	−1.0	16.07	3.82	8.77	227.66	227.71	229.42	233.02	196.67
13	Household Goods (12)	172.73	−0.4	16.82	6.53	8.22	173.42	174.53	176.04	176.61	165.73
14	Motors and Distributors (25)	119.90	−1.0	20.69	6.56	6.88	121.10	121.68	123.72	124.80	113.63
	CONSUMER GOODS										
21	(NON-DURABLE) (175)	193.54	−1.0	16.68	6.06	8.13	195.51	194.97	196.83	199.18	170.12
22	Breweries (14)	217.54	−1.0	15.76	6.23	9.03	219.71	219.11	221.86	225.47	180.49
23	Wines and Spirits (6)	243.36	−1.4	16.62	5.92	9.12	246.82	246.32	249.10	258.66	188.59
24	Entertainment, Catering (17)	242.74	−0.3	16.10	7.03	9.01	243.49	244.02	246.31	250.08	213.96
25	Food Manufacturing (22)	189.53	−1.2	20.14	5.89	6.61	191.75	191.57	194.77	196.45	174.94
26	Food Retailing (15)	196.07	−0.8	14.83	5.16	9.35	197.67	197.62	199.29	199.84	172.01
32	Newspapers, Publishing (13)	353.23	−1.5	11.31	3.51	12.62	358.47	356.27	360.57	363.56	307.10
33	Packaging and Paper (15)	132.01	−1.5	20.14	8.01	6.55	134.09	133.06	133.82	134.89	122.60
34	Stores (39)	172.93	−0.9	12.14	4.72	12.11	174.46	174.11	175.06	177.41	147.26
35	Textiles (25)	170.69	−1.3	19.11	8.11	6.79	172.98	171.46	174.14	177.40	172.82
36	Tobaccos (3)	242.25	−1.1	22.82	7.73	5.21	244.89	242.77	244.77	247.83	218.94
37	Toys and Games (6)	104.38	+0.2	19.48	5.98	6.27	104.17	104.03	104.66	105.48	100.69
41	OTHER GROUPS (97)	190.61	−0.9	16.81	5.99	7.81	192.42	191.87	193.13	195.30	182.05
42	Chemicals (19)	272.92	−0.9	18.24	6.40	7.45	275.40	273.66	275.55	278.72	259.29
43	Pharmaceutical Products (7)	248.48	−1.3	11.89	4.13	10.51	251.72	249.72	250.85	254.95	8.00
44	Office Equipment (6)	127.23	−0.5	18.83	5.10	6.28	127.92	128.90	130.12	132.63	102.66
45	Shipping (10)	411.95	−0.7	17.43	7.43	7.05	414.68	414.96	416.13	417.14	492.08
46	Miscellaneous (55)	196.66	−0.9	17.88	6.66	7.52	198.43	198.74	200.27	201.76	175.12
49	INDUSTRIAL GROUP (495)	202.44	−1.0	17.18	5.92	7.93	204.46	204.01	205.80	208.27	183.11
51	Oils (5)	478.36	−1.0	15.43	4.13	7.83	483.19	474.81	475.58	477.75	515.58
59	500 SHARE INDEX	225.25	−1.0	16.91	5.65	7.75	227.51	226.48	228.22	230.70	209.84
61	FINANCIAL GROUP (100)	156.06	−0.8	—	6.06	—	157.27	157.19	160.09	161.24	139.68
62	Banks (6)	176.66	−0.2	26.79	6.35	5.65	177.02	177.59	182.45	182.43	157.41
63	Discount Houses (10)	201.78	−1.6	—	8.57	—	205.14	205.14	209.51	209.75	171.96
64	Hire Purchase (5)	140.14	+0.2	13.94	5.85	10.62	139.80	139.86	144.57	145.05	142.69
65	Insurance (Life) (10)	127.86	−1.2	—	7.12	—	129.37	129.60	131.81	133.01	107.72
66	Insurance (Composite) (7)	120.34	−0.8	—	7.09	—	121.29	120.90	122.38	123.69	114.30
67	Insurance Brokers (10)	318.40	−1.6	14.80	4.92	9.68	323.59	322.16	325.87	327.53	294.43
68	Merchant Banks (14)	78.45	−1.1	—	6.33	—	79.33	79.31	79.88	79.80	66.16
69	Property (31)	225.17	−1.0	3.64	3.30	46.46	227.51	226.80	230.97	233.59	190.75
70	Miscellaneous (7)	103.43	−0.4	25.63	7.80	5.40	103.80	104.15	107.18	109.05	88.22
71	Investment Trusts (50)	205.89	−1.3	3.30	4.82	30.27	208.65	209.20	212.06	213.80	166.96
81	Mining Finance (4)	97.25	−1.5	17.77	7.15	6.79	98.69	98.52	99.89	100.24	91.01
91	Overseas Traders (19)	300.62	−1.0	17.53	7.48	7.01	303.80	306.68	306.66	308.67	271.67
99	ALL-SHARE INDEX (673)	207.47	−1.0	—	5.74	—	209.53	208.86	210.89	212.93	190.71

FIXED INTEREST PRICE INDICES

	British Government	Mon. June 26	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	103.96	−0.19	—	4.51
2	5-15 years	111.99	−0.50	—	5.95
3	Over 15 years	117.90	−0.51	—	7.02
4	Irredeemables	129.75	−0.65	0.96	7.24
5	All stocks	110.82	−0.38	0.02	5.74

FIXED INTEREST YIELDS

	Br. Govt. Av. Gross Red.		Mon. June 26	Fri. June 23	Year ago (approx.)
1	Low Coupons	5 years	8.99	8.92	7.55
2		15 years	11.21	11.12	11.23
3		25 years	11.93	11.86	12.30
4	Medium Coupons	5 years	11.87	11.71	10.00
5		15 years	12.42	12.35	12.80
6		25 years	12.45	12.41	12.71
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

		Monday, June 26 Index	Yield %	Friday, June 23	Thurs. June 22	Wed. June 21	Tues. June 20	Mon. June 19	Fri. June 16	Thurs. June 15	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.54	12.90	57.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	51.54	13.78	51.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	70.64	13.10	70.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

INSURANCE, PROPERTY, BONDS

[illegible]

AUTHORISED UNIT TRUSTS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♠. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 450-455

INSURANCE BASE RATES

† Property Growth 9½%
† Vanbrugh Guaranteed .... 9 %
† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

1978 High	1978 Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
88	83	Ireland 7¼pc '81-83	83xd	.....	7½	11.96
91	79	Do 9¾pc '91-96	80¾	.....	9¾	12.94
375	265	Japan 4pc '10 Ass.	365xd	.....	—	—
67	70	Do 6pc '83-88	71½	.....	6	11.10
160	140	Peru Ass 3pc	140	−15	3	2.16
75p	75p	S.G.I. 6½pc 1980	75p	.....	6½	8.67
599	594½	Turin 9pc 1991	594½	.....	9	9.52
DM91	DM91	Turin 6½pc 1984	DM91	.....	6½	10.70
97	94	Uruguay 3½pc	97	+1	3½	3.80

U.S. $ & DM prices exclude inv. $ premium

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	1978 Low	Stock	£	+ or —	Yield Int.	Yield Red.
99⅝	95⅝	Exch. 5pc '76-78	98⅞	.....	5.06	9.47
105¼	101½	Treasury 11½pc '79	101⅞	.....	11.35	9.42
97	94½	Treasury 3pc '79	95⅛	.....	3.15	6.70
97½	95½	Electric 4½pc '74-79	95½	.....	4.40	7.90
104½	99⅞	Treasury 10½pc '79	99⅞	.....	10.51	10.52
96½	94¼	Electric 3½pc '76-79	96	.....	3.65	6.54
103¼	96⅞	Treasury 9pc 1980	95¼	−¼	9.50	11.13
102	97½	Treasury 9¼pc '80	97½	−¼	9.70	11.05
95½	92½	Treasury 3½pc '77-80	93	.....	3.76	7.38
96½	92¼	Funding 5¼pc '78-80	95⅛	.....	5.63	9.06
110⅜	103	Exchequer 13pc 1980	103	−⅛	12.61	11.46
105¼	99⅞	Treasury 11½pc 1981	99⅞xd	−⅛	11.51	11.52
91½	85	Treasury 3¼pc 1979-81	89	.....	3.73	8.21
101½	95½	Treasury 9¾pc 1981	95½	−¼	10.20	11.61
97½	91½	Exch. 8¼pc 1981	91½	−¼	8.93	11.56
100¾	94¼	Exch. 9½pc 1981	94¼	−⅛	10.08	11.76
87½	85½	Exch. 3pc 1981	86	−⅛	3.49	8.12
97⅛	95½	Treas. Variable '81	95½	.....	10.15	10.92
111	102½	Exch. 12½pc 1981	102½	−¼	12.42	11.75
99½	91½	Treas. 8¼pc '80-82	91½	−¼	9.30	11.53
85½	83¼	Treasury 3pc '82	85¼	−⅛	3.60	8.43
115½	106	Treasury 14pc '82	106½	−¼	13.15	11.72
96½	94½	Treas. Variable '82	94½	−⅛	10.27	11.37
95½	87½	Treasury 8¾pc '82	89½xd	−⅛	9.19	11.49
100¼	91½	Exch. 9½pc 1982	91½	−⅛	10.12	11.86
97½	91½	Exch. 9¼pc 1982 A	91½	−⅛	10.12	11.89
96½	89½	Exch. 8½pc 1983	89½xd	−⅛	9.47	11.79
85¼	79	Exch. 3pc '83	79½	−⅛	3.77	6.41
114¼	100½	Treasury 12pc 1983	100½	−⅛	11.92	11.80

Five to Fifteen Years

1978 High	1978 Low	Stock	£	+ or —	Yield Int.	Yield Red.
100¼	89½	Treasury 9½pc '83	89½xd	−⅛	10.25	11.91
15	13½	Exch. 10pc 1983 £15pd	13½	−⅛	10.71	11.69
89½	80½	Funding 5½pc '82-84	80½xd	−⅛	6.71	10.04
96½	86½	Treasury 8¼pc '84-86	86½xd	−⅛	9.79	11.02
87½	77½	Funding 6½pc '85-87	78	−⅛	8.44	10.56
89½	79½	Treasury 7¾pc '85-88	79½xd	−⅛	9.69	11.21
68½	60½	Transport 3pc '78-88	61½xd	−⅛	4.85	8.88
75½	64½	Treasury 5pc '86-89	65½	−⅛	7.77	10.43
115½	101½	Treasury 13pc 1990	101½xd	−⅛	12.71	12.62
89½	77½	Treasury 8¼pc '87-90	78½	−⅛	10.56	11.69

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	1978 Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
20½	17	Antofagasta Rly	20½	.....	—	—
34½	33	Do 5pc Pref.	34½xd	.....	—	—
98	95	Chilean Mixed	98	.....	3	13.10
415	350	German Yng. 4½pc	405xd	.....	4½	—
54	46	Greek 7pc Ass.	54	.....	3½	6.48
51	46	Do 6pc 28 Stab. Ass.	51	.....	6	6.00
44	40	Do 4pc Mixed Ass.	43	.....	4	4.76
55	42	Hung. '24 Ass.	55	.....	4½	5.00
77	65	Ireland 9½pc '85-98	65xd	.....	—	12.60

AMERICANS

1978 High	1978 Low	Stock	£	+ or —	Div. Gross	Cvr	Y'ld Gr's
17⅝	13½	ASA	17	+⅛	80c	—	2.6
60½	60½	AMF 5% Conv. '87	60½	.....	5%	—	—
31	22	Amax $1	27⅛	.....	$1.75	—	3.6
32	21¼	American Express	28½	−½	$1.40	—	2.8
33½	11	Amer. Medic. Int.	21¼	.....	30c	—	0.8
15⅝	969p	Asarco Inc.	12	−⅛	40c	—	1.9
29⅞	18¼	Baker Intnl. Corp. $1	21⅞xd	.....	64c	—	1.7
19¾	11⅞	Barnes Grp. $6⅔	17⅞xd	−½	90c	—	2.9
32⅞	22	Bendix Corp. $5	30½xd	−⅞	$2.28	—	4.2
23½	13	Beth. Steel $8	18⅛xd	−⅛	$1.00	—	3.1
11⅝	625p	Brown'g Fer. c10¢	10⅝xd	−⅛	40c	—	2.2
13½	857p	Brunswick Corpn.	12	.....	70c	—	3.3
65	41½	Burroughs Corp. $5	59	−¾	$1.00	—	1.0
48	30½	CBS $2.50	43¼	−⅝	$2.40	—	3.1
42⅝	28¼	C.P.C. $⅓	42	−¼	$2.50	—	3.3
48⅝	32¾	Caterpillar	44⅛	−⅞	D	—	2.3
27¼	17⅞	Chase M'htn $12.5	24½	−½	$2.20	—	5.1
22	13⅝	Chesebrough $1	19⅝xd	.....	94c	—	2.7
11	765p	Chrysler $6¼	877p	−14	$1.00	—	6.4
21½	13½	Citicorp $4	19¼xd	+1	£1	—	3.1
14	733p	City Inv. $1.25	12¾	.....	$1.00	—	4.4
25	14⅞	Do. Cm. Prf. B $1	20¾	−¼	$2	—	5.4
18⅝	12¼	Colgate-P. $1	17¼	.....	$1.00	—	3.2
47⅞	29	Colt Inds. $1	42⅞xd	−¼	$3.15	—	4.2
26	15½	Cont. Illinois $10	23⅞	.....	$1.32	—	3.1
25⅝	17	Cont. Oil $5	21½	−⅜	$1.40	—	3.7
28	20⅛	Crown Zell. $5	25	+½	$1.90	—	4.3
46½	20⅝	Cutler-Hammer $5	42¼	−¼	$1.40	—	1.9
32½	22	Eaton Crp. $0.50	30⅝	−¼	$2.25	—	4.2
26½	17¼	Esmark	24⅝xd	−¼	$1.84	—	4.2
40	26¼	Exxon $1	35⅝	−⅝	$3.20	—	5.1
12½	670p	Firestone Tire $1	11⅛	−⅞	$1.10	—	5.6
18⅞	11⅞	First Chicago	17xd	−¼	$1.00	—	3.3
32⅞	20¾	Fluor Corp. $⅔	29⅝	−⅛	$1.20	—	2.3
41¾	26⅝	Ford Motor $2	37⅞	−⅛	$3.20	—	4.7
25¾	16½	GATX	22½xd	−⅛	$2.50	—	6.3
44⅝	29⅝	Gen. Elect. $2½	40½xd	−½	$2.20	—	3.1
24½	15½	Gillette $1	23½	−⅛	$1.50	—	3.6
48	28	Honeywell $1.50	44⅝	−1¾	$1.90	—	2.4
14½	750p	Hutton E.F.	12⅞	−⅛	$0.66	—	3.0
224⅛	171	I.B.M. Corp. $5	211⅝	−4	$11.52	—	2.7

S.E. List Premium 49⅝% (based on US$1.8495 per £)
Conversion factor 0.6686 (0.6666)

CANADIANS

S.E. List Premium 49⅝% (based on $2.0651 per £)

BANKS AND HIRE PURCHASE

1978 High	1978 Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's	P/E
69	52	Jessel Toynbee	56xc	−2	h3.27	—	8.9	—
190	160	Joseph (Leo) £1	190	.....	†8.01	—	6.4	—
52	37	Keyser Ullmann	48	−1	0.66	—	2.1	—
74	56	King & Shax 20p	57	+1	3.39	—	9.0	—
114	92	Kleinwort B.L.	96	−2	4.12	—	6.5	—
297	242	Lloyds £1	250	−2	9.09	5.5	5.5	5.0
50½	42	Manson Fin. 20p	45	.....	†2.79	1.5	9.4	11.2
134	106	Mercury Secs.	110	.....	3.39	—	4.7	—
390	330	Midland £1	340	−2	14.75	4.3	6.6	5.3
£93	£78	Do. 7½% 83-93	£78	−1	Q7½%	21.1	f9.7	—
£95¼	£82½	Do. 10¼% 93-98	£84	−½	Q10¼%	21.1	f13.3	—
64½	56	Minster Assets	57½	+1½	3.55	2.5	9.4	6.6

BANKS & HP—Continued

Hire Purchase, etc.

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INDUSTRIALS—Continued

1978 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
23¾	7¾	Hawtin 5p	11	.....	—	—	—	11.1
55	34	Hay (Norman) 10p	54	.....	3.00	2.1	8.4	8.4
164	120	Hay's Wharf £1	130	.....	†4.95	1.8	5.8	12.9
89½	72½	Hepworth Crme.	81½	−½	43.3	3.5	6.1	6.9
112	93½	Hestair	97	+1	†6.89	3.1	10.8	(3.8)
24	20	Hewitt (J.) 5p	21	.....	1.03	4.3	7.4	4.8
41	35	Highgate Opt. 10p	35	.....	‡d1.07	1.2	‡	12.2
115	92	Hill (Chas.) £1	106	+1	7.26	—	10.4	—
38	28	Hirst Mallson 20p	31	.....	1.8	2.9	8.8	4.5
67	61	Holden (A.)	62	−1	b3.3	3.6	8.1	5.2
73	59	Hollis Bros.	62	.....	†4.03	2.7	9.9	5.6
148	119½	Holt Lloyd Int. 10p	136	−1	7.00	2.0	7.8	9.5
350	310	Hoover 'A'	310	.....	14.82	2.0	7.2	10.5
99	71½	Horizon 5p	92	.....	‡5.64	3.4	9.3	9.4
173	122	Hoskins & H 20p	167	.....	5.17	1.2	4.7	26.1
31½	25	Howard Tenens	29	.....	†1.71	—	9.0	—
215	183	Hunting Assoc.	200	−3	2.95	9.2	2.2	7.3
119	82	Huntleigh 10p	104	.....	2.55	7.0	3.4	6.3
114	49	Hutch Whampoa SHK1	103	−4	Q20c	φ	2.3	φ
42½	22¾	Hyman (I. & J.) 5p	40½	−½	£1.9	17.7	7.1	12.5
£22½	£14½	I.C. Industries$	£20¾	+⅝	Q$1.52	—	4.6	—
302	206	ICL £1	294	+2	†7.42	5.4	3.8	4.9
385	308	Imp. Cont. Gas £1	338	−10	†8.91	2.8	4.0	13.4
25	22	Ingall Inds. 10p	25	.....	§1.68	1.6	11.4	7.6
77	64	Initial Services	73½	−½	†4.11	1.8	8.5	10.1
12¾	8	Inter-City 20p	11½xd	.....	0.6	2.7	8.1	6.9
47	39	James (John)	44	−1	†d2.47	2.7	8.5	5.3
14¼	9½	James (M.) Inds. 20p	12½	−¼	Zd0.5	—	6.1	—
288	149	Jardine M. SHK5	266	−8	Q67c	2.2	3.0	14.9
32½	23½	Jentique	24½	−½	†h2.0	1.2	12.4	10.4
12½	10	Johnson & Barnes	12	.....	—	—	—	—
108	75½	Johnson Clnrs.	86	−2	3.89	3.0	6.9	5.5
450	375	Johnson Mthy. £1	435xd	+7½	13.62	φ	4.7	φ
42	32	Jourdan (T.) 10p	40	.....	2.89	2.7	10.9	4.3
31	28	Kalamazoo 10p	30½	.....	†1.95	1.8	9.7	8.7
118	88	Kelsey Inds.	88	.....	3.23	6.6	5.6	4.1
34	23	Kennedy Sm. 10p	34	.....	£1.58	2.3	7.1	9.5
£10½	900	Kershaw (A.) 5p	£10⅝	.....	15.9	2.0	2.3	27.1
72½	64	Kleen-E-Ze Hldgs.	72	.....	3.82	2.2	8.2	8.3
98	77	L.C.P. Hlds.	89	−1	†4.36	2.2	7.4	7.3
43	32	L.K. Ind'l. Invs.	39	.....	d2.60	3.0	10.1	5.7
73	34½	L.R.C. Int. 10p	35	.....	£2.23	2.6	9.6	6.3
68	55	Lawtex	59	−1	2.91	4.8	7.5	4.1
158	128	Lead Inds. 50p	145	−1	7.37	3.3	7.7	5.9
119	99	Leadenhall Sterling	113xd	+½	2½p	4.4	5.5	6.1
47	38	Le Bas (Edr.)	41	.....	1.82	4.2	6.7	5.4

INSURANCE

1978 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
120	98	Bowring (C.T.)	98	−1	2.95	5.3	4.6	6.3
58	30	Brentnall Bd. 10p	50	.....	1.28	3.4	6.4	7.0
172	148	Britannic 5p	156	−4	9.18	—	8.9	—
£16⅞	955	Combined Am $1	£15¾	+⅛	tQ$1.00	—	3.7	—
159	138	Comm. Union	142	−1	7.65	—	8.2	—
166	132	Eagle Star	137	−2	6.15	—	6.8	—
24	16½	[illegible]	23	+1	—	—	—	—
£129	£107	[illegible]	£121	.....	Q9%	—	†7.5	—
178	146	Equity & Law 5p	146	−2	6.69	—	6.9	—
250	200	Gen. Accident	202	.....	8.10	—	6.1	—
262	206	Guardian Royal	208	−4	10.17	—	7.4	—
335	263	Hambro Life	313	−4	20.0	—	9.7	—
292	237	Heath (C.E.) 20p	240	−3	4.83	5.1	3.0	9.0
193	163	Hogg Robinson	174	−4	†5.6	3.1	4.9	10.2
178	147	Howden (A.) 10p	158	−4	†7.0	2.9	6.7	8.7
177	143	Legal & Gen 5p	147	−3	5.77	—	5.9	—
107	13	Les. & Gdwn. 10p	107	+1	d4.47	2.1	6.3	11.7
150	120	Lon. & Man 5p	126	−2	t6.48	—	7.8	—
178	132	London United Inv.	164	−2	h3.77	4.3	3.5	9.8
215	157	Matthew Wr. 20p	157	−3	9.19	2.1	8.9	7.4
204	151	Minet Hldgs. 20p	183	−5	3.33	4.3	2.8	11.3
67	47	Moran (Chris.) 20p	57	.....	3.62	2.5	9.6	6.3
260	220	Pearl 5p	220	−8	12.59	—	8.7	—
292	236	Phoenix	236	−2	10.35	—	6.6	—
132	120	Provident "A"	128	.....	8.17	—	9.7	—
132	120	Do. "B"	128	.....	8.17	—	9.7	—
173	137	Prudential 5p	140	.....	6.65	—	7.2	—
146	125	Refuge 5p	134	−2	8.1	—	9.2	—
425	346	Royal	350	−2	16.45	—	7.1	—
425	310	Sedg. Forbes 10p	400	−2	9.59	3.3	3.6	12.9
107	94	Stenhouse	97	−1	4.05	2.7	6.3	7.4
606	504	Sun Alliance £1	508	−4	20.15	—	6.0	—
108	93	Sun Life 5p	94	−2	t3.42	—	5.5	—
957	679	Taisho Mar. EDR	916	+1	gQ10%	—	0.5	—
170	155	Trade Indemnity	170	.....	8.47	—	7.6	—
£31½	£17⅞	Travelers $2.50	£28⅞	−⅛	Q$1.68	—	3.3	—
305	247	Willis Faber	247	−5	9.0	2.4	5.5	11.2

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FINANCIAL TIMES
Tuesday June 27 1978

World's airlines boost operating profits

By Michael Donne, Aerospace Correspondent

THE WORLD'S airlines achieved a big improvement in profitability last year. Between them, they earned an operating profit of more than £1.6bn (over $3bn)—their best result since the early 1970s.

The improvement was due to the steady revival of world air passenger travel after the oil crisis and subsequent industrial and economic depression in 1973-74.

Passenger traffic grew by 5.4 per cent last year and is expected to increase by a further 8 per cent this year.

The widespread introduction of cheap fares did not play a significant part in the improvement however.

These fares became widespread too late to influence the year's overall result and, although cheap fares are already being seen as stimulating some growth traffic, it is not yet clear whether they are adding anything to profits.

It is possible that some airlines are experiencing "profitless growth" because the fares introduced are too low to make up for rising operating costs.

On the North Atlantic, for example, where cheap fares became widespread only late last year, the big scheduled airlines are being cautious in claiming success.

Preliminary figures issued by the International Civil Aviation Organisation, the aviation technical agency of the UN, show that all the airlines (scheduled and non-scheduled, including charter airlines) in its 141 member-countries, earned total revenues of $49bn (more than £26bn) last year.

Against this had to be set operating expenses of $46bn (more than £25bn), for such items as fuel, oil, wages, salaries and landing fees, leaving an operating surplus of about $3bn (more than £1.6bn).

This represented 6 per cent of revenues, compared with 5.2 per cent in 1976 and the lowest-ever 1.9 per cent in 1975.

The organisation pointed out, however, that this was only an operating surplus. It did not take into account such non-operating items as interest on capital and taxes in various countries.

British Airways fights for Dallas route, Page 6

Call for ten-year ban on whaling dropped

BY RICHARD MOONEY

PANAMA has abandoned its call for a ten-year ban on commercial whaling.

Sr. Roger Decerega, the Panamanian Commissioner and the Ambassador to the U.K., told the International Whaling Commission's annual session in London: "The (Panamanian) Government thinks a moratorium will not achieve the objective of conservation because countries not in the IWC will be dedicated to killing whales with no restriction. Some would probably increase their whaling fleets."

Japan and the Soviet Union were expected to withdraw from the Commission had a moratorium been imposed.

His Government withdrew its proposal because it feared that the ban might result in "total destruction" of whale stocks, Sr. Decerega said.

No other country has taken up the issue and the proposal is now dead, at least for this year.

It has been suggested that the Panamanian change of heart was brought on by a Japanese threat to cancel a 50,000 tonnes sugar purchase from Panama if the moratorium went through, but Sr Decerega denied yesterday that the decision was the result of external pressure.

"The Panamanian Government does not act under pressure from anybody," he said. The Japanese delegations denied that pressure had been applied.

Panama will still oppose any rise in catch quotas and would have supported a moratorium had it been proposed by any other delegation, Sr. Decerega added.

In his opening statement before Panama's announcement, Mr. R. Frank, the U.S. Commissioner, had said that his delegation planned to vote in favour of the moratorium.

But it would have been difficult for the U.S. to propose such a move itself, in spite of President Jimmy Carter's unequivocal pronouncements on the need to protect whales, because it is seeking an increase in the catch limit for bowhead whales—one of the most endangered species—which are hunted only by North American Eskimos under the IWC's "aboriginal exception" clause.

Of the other commissioners making opening statements, only the Argentinian, Sr. E. H. Iglesais, said he would support a moratorium. The commissioners for South Africa, the Netherlands and New Zealand said they would accept the advice of the commission's scientific committee, which opposes the ban, and Canada and Australia avoided the issue.

Japan and the Soviet Union, by far the world's biggest whaling nations, also effectively avoided the issue.

Panama had called for two separate bans—one on the high seas and one within individual nations 200-mile coastal zones.

Before the meeting, some conservationists had hoped that a "high seas" ban might be approved, as several whaling nations operate only within their own waters and might have voted in favour of a ban which would hit just the Soviet Union and Japan.

Attention will now focus on the setting of catch quotas for the coming year. Japan has declared that it will "retreat no further" on this question, following heavy cuts which have already forced it to reduce its whaling effort by two-thirds.

But on the most crucial quota—for North Pacific sperm whales—the scientific committee is understood to be recommending a 38 per cent cut to 4,000. Only 1,000 of this total would be in the Western part of the North Pacific, where Japan catches most of its sperm whales.

Last year, 23,000 whales were killed under IWC quotas.

Nationalised shipyards' big loss confirmed

By Ian Hargreaves

BRITISH SHIPBUILDERS confirmed yesterday that its accounts for the first year of nationalisation will show a substantial loss.

It would not confirm reports of a £45m loss in the first nine months of the corporation's life, but made clear that the financial picture was far from bright.

A statement yesterday said the losses related to contracts entered into before nationalisation and that British Shipbuilders was now holding discussions with its operating subsidiaries and auditors to "ensure a more rigorous approach to provision for future losses than was the practice in the pre-nationalisation period."

More stringent accounting rules had already been introduced in the subsidiaries.

Burmah hearing next month

By Margaret Reid

BURMAH OIL's application for a court order compelling the Bank of England to disclose 62 documents it considers important to its £500m action against the Bank is expected to be heard before a judge next month, probably on July 17.

The Treasury has claimed "Crown privilege" for the withholding by the Bank—a State body — of the documents on the ground that their production would be injurious to the public interest.

Burmah's financial crisis at the end of 1974 led the Bank to step in with support, in connection with which it bought Burmah's 20 per cent shareholding in British Petroleum.

The BP shares are now worth nearly £500m more than the price the Bank paid for them in the depressed market conditions of early 1975. Burmah is suing the Bank for the return of the shares at their original sale price, plus dividends.

Burmah clearly believes that the documents, among more than 3,000 involved in the case, could have an important bearing on its unprecedented action against the Bank which Sir Alastair Down, chairman, expects to come to court before the end of 1979.

Sir Alastair told shareholders, in his annual statement in May, that an application had been made to the court for an order compelling the production of the documents by the Bank and that this would come before a Master of the Court in the near future.

At the annual meeting on June 9, he said the matter had been referred to a judge, who was expected to hear it on or about July 17.

Hospital electricians win pay parity claim

BY PAULINE CLARK, LABOUR STAFF

UNION representatives of 5,500 hospital electricians called off their week-old industrial action yesterday after winning Government acceptance that their pay should be restored to parity with the private sector.

A recalled delegate conference in London of shop stewards in the Electrical and Plumbing Trades Union agreed with their union's recommendation to accept an offer of parity from next September with comparable workers in the electrical contracting industry.

A key part of the settlement rests on a bonus payments deal aimed at giving from that date all or most of the electricians a total rise from the present £58 a week to £70 a week.

In yielding to the union's demand for an effective earnings increase of more than 20 per cent, the Government for the second time this year has been forced to allow bonus payments to be made without a firm guarantee that they will be self-financing.

In January it failed to prevent a similar concession being made in the electrical contracting industry on which the hospital electricians claim was based.

This was in spite of fears that the recession in the construction industry would delay the introduction of self-financing productivity schemes among companies already paying the bonuses.

In a Health Service settlement, the Government has clearly tried to guard against accusations that it has allowed a pay increase to a major public sector group in breach of the guidelines.

Hospital electricians will receive a 10 per cent rise in the wage bill with a rise in basic pay from £58 to £61.20 from July 1. Back pay will be calculated on gross earnings since the January pay anniversary.

In addition, the non-consolidated current rates used for calculation of overtime and bonus rates will be raised from £49.20 and £40 respectively to the new basic rate.

The Government has stipulated that 75 per cent of hospital electricians must agree to go on the national incentive scheme in order to win the £8.80 a week extra bonus in September.

Only those who agree to join the incentive scheme will receive the 22p an hour bonus. But, they will benefit from it even if there are delays by health authorities in introducing a self-financing programme.

The Department of Health was confident yesterday that there was sufficient scope to make it possible for the bonus payments to become self-financing. This could be achieved, for instance, by hospitals cutting back on contractual work by electricians—such as lift maintenance—and passing it on to its own electricians.

Since 1972, the number of electricians on such schemes has risen from 10 per cent to only 40 per cent but there are hopes the number will increase rapidly among health authorities faced with having to pay bonuses from September.

CBI prepares case for ending state contracts pay clauses

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

INDUSTRIALISTS yesterday started to prepare the ground for their battle with Ministers during the coming weeks over the use of public sector contracts to enforce the Government's pay policy.

A special committee of company experts on Government contracting met at the headquarters of the Confederation of British Industry in London, to discuss their case that the present pay clauses in contracts should be abandoned when the current pay policy expires in five weeks' time.

The committee has run into the problem that the confederation so far has no evidence from its members or from the Government that the contract clauses, introduced in the spring, have caused any serious problems.

Although there has been some trouble over the use of general pay sanctions—notably the dispute over the attachment of pay policy requirements to £20m industrial aid for a General Electric Company development on Merseyside—there have been no reports of problems over the use of contract clauses.

Nevertheless, the confederation will urge that the clauses be abandoned at a meeting soon with senior civil servants when the operation of the clauses will be reviewed.

There is no sign that Ministers will be prepared to abandon the clauses if, as is expected, they continue with some form of pay restraint which relies for its effectiveness on Government pressure being exerted on industry.

The confederation will argue that, while the clauses may have worked effectively during the past two or three months towards the end of the present pay round, they could cause considerable damage to industry if they were tried for a full phase of pay policy.

The problem would be increased if any pay rules were drawn flexibly.

Scots industry urged to give views on devolution

BY JOHN LLOYD

INDUSTRIALISTS should play an active part in the forthcoming Scottish devolution referendum, Scottish businessmen were told in Edinburgh yesterday by Mr. Teddy Taylor, the shadow Scottish Secretary.

If industry felt the Assembly proposed in the Scotland Bill "could damage its prospects and the security of its employees, I believe it has a duty to put its views clearly and objectively to the Scots people in the referendum," he told a Financial Times conference on Scottish finance and industry.

Giving a foretaste of the Scottish Tories' election campaign, he said that the Government's devolution measures could lead to Scotland's becoming the "most over-governed country in the world."

The Assembly would, on Government estimates, cost £12m a year and employ at least 1,000 extra civil servants. It would also add greatly to delays in effective decision-making.

"Should there be the additional problem of a Scottish Secretary of State and the Assembly Ministers belonging to different and competing political parties, I believe the problem could be greater.

"With a European Parliament and Westminster sharing sovereignty with the Scottish Assembly, allied to our two-tiered local government system, there is a clear danger of Scotland becoming the most over-governed country in the world."

Conference report, Page 6

Japan tariff offer 'unacceptable'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

IN A strongly worded speech on the eve of another stage of the Multilateral Trade Negotiations Mr. Edmund Dell, Secretary of State for Trade, last night called Japan's latest offer of tariff reductions "totally unacceptable."

If the Japanese Government wished to improve the atmosphere at the talks, which resume in Luxembourg today and tomorrow, it should "make a much better tariff offer than it has so far done."

Mr. Dell clearly felt that the offer should be rejected by the EEC countries unless improved. If it were left unaltered on the table, the EEC "will have to react accordingly."

Speaking in a Commons debate on trade an hour before leaving for the Luxembourg talks, he added strong comments about the American attitude on tariffs during the negotiations.

He saw dangers in the rise of protectionist sentiment in the U.S. and said the American tariff offer on wool and textiles went nowhere near meeting our requirements. Only by harmonisation of tariffs could there be real reciprocal benefits.

Parliament Page 10
Yen Soars Page 3

Continued from Page 1

MPs condemn massacre

Neither side would disclose substantive details of the discussions, but the Prime Minister was due to give a speech in New York last night, the advanced text of which endorses U.S. policy towards Africa and to Soviet and Cuban activities in the continent, as outlined by Mr. Cyrus Vance, the Secretary of State, in his Atlantic City address last Tuesday.

Mr. Callaghan is believed to have approved of both Mr. Vance's speech and that earlier this month by President Carter. While here for the NATO summit and U.N. disarmament session a month ago, he had attacked the new "Christopher Columbuses" who had discovered Africa for the first time.

He stressed that the West should be ready to respond to African requests to combat external military adventurism.

"But there is a big gap between involvement and intervention," he said. "No country has the right to intervene for its own ends in the affairs of another.

Each case should be treated on its merits. "We should take into account that the use of force brings few lasting solutions. The purpose of assistance would be to create the conditions for negotiation, not to replace it."

He also argued that "linkage" should not be applied automatically to all Western dealings with the Soviet Union.

The case for a new strategic arms agreement with Russia, "stands by itself" and he hoped Congress would approve such a pact when it was presented for ratification.

Mr. Callaghan is understood to have told President Carter that there would be little point in a U.S.-Russian summit unless it could finalise such major agreements as a new SALT pact or the nuclear test ban treaty.

Weather

UK TODAY

DRY, OCCASIONAL rain in the West and North. Temperatures near normal.

London, S.E., Cent. Southern and S.W. England, E. Anglia, Midlands, Channel Is.
Dry, sunny periods. Max: 20C (68F).

E., Cent., Northern and N.W. England, Wales
Rather cloudy, some sunny intervals. Max: 18C (64F).

N.E England, Borders, Edinburgh and Dundee, Aberdeen
Cloudy, mainly dry, becoming brighter. Max: 18C (64F).

Lakes, Isle of Man, S.W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland
Mostly cloudy, occasional drizzle. Max: 17C (63F).

Moray Firth, N.E. and N.W. Scotland, Orkney, Shetland
Cloudy, occasional rain. Max: 14C (57F).

Outlook: Some rain in most parts.

Pollen count: 30 (low).

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amsterdam	F	[illegible]	[illegible]	Luxembourg	C	[illegible]	55
Athens	S	[illegible]	[illegible]	Madrid	C	21	70
Bahrain	S	[illegible]	91	Manchester	F	13	55
Barcelona	S	[illegible]	[illegible]	Melbourne	[illegible]	8	46
Beirut	[illegible]	27	81	Mexico C.	S	24	75
Belfast	C	[illegible]	54	Milan	F	21	70
Belgrade	S	[illegible]	57	Montreal	C	[illegible]	[illegible]
Berlin	R	[illegible]	[illegible]	Moscow	[illegible]	25	[illegible]
Birmingham	C	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]
Bristol	F	14	57	Newcastle	C	12	54
Brussels	[illegible]	[illegible]	[illegible]	New York	C	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Oslo	F	18	64
B. Aires	[illegible]	[illegible]	[illegible]	Paris	F	17	[illegible]
Cairo	S	[illegible]	[illegible]	Perth	C	17	[illegible]
Cardiff	[illegible]	[illegible]	[illegible]	Prague	[illegible]	15	59
Chicago	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]
Cologne	R	[illegible]	[illegible]	Rio de J'o	S	27	80
Copenhagen	[illegible]	[illegible]	[illegible]	Rome	F	25	[illegible]
Dublin	C	14	57	Singapore	S	30	[illegible]
Edinburgh	[illegible]	15	59	Stockholm	F	20	68
Frankfurt	[illegible]	[illegible]	[illegible]	Strasbourg	C	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]	Sydney	R	14	57
Glasgow	F	[illegible]	[illegible]	Tehran	S	[illegible]	[illegible]
Helsinki	F	[illegible]	[illegible]	Tokyo	R	26	79
H. Kong	[illegible]	[illegible]	[illegible]	Toronto	C	19	[illegible]
Jo'burg	S	17	[illegible]	Vienna	C	17	[illegible]
Lisbon	[illegible]	[illegible]	72	Warsaw	R	11	[illegible]
London	C	[illegible]	[illegible]	Zurich	F	13	55

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Jersey	F	15	59
Algiers	S	27	81	Las Plms.	S	22	72
Biarritz	C	13	55	Locarno	S	22	72
Blackpool	C	13	55	Luxor	S	38	100
Bordeaux	F	17	63	Majorca	C	24	75
Boulogne	C	12	54	Malaga	S	31	88
Casablnca.	S	21	70	Malta	S	28	82
Cape Town	S	17	62	Nairobi	C	20	68
Corfu	S	29	84	Naples	F	24	75
Dubrovnik	S	25	77	Nice	F	30	86
Faro	S	25	77	Nicosia	S	26	79
Florence	F	24	75	Oporto	F	19	66
Funchal	F	20	68	Rhodes	S	32	90
Gibraltar	S	27	81	Salzburg	F	13	55
Guernsey	F	14	57	Tangier	S	21	70
Innsbruck	F	17	63	Tenerife	S	20	68
Inverness	C	14	57	Tunis	S	27	81
Isle of Man	C	12	54	Valencia	F	29	84
Istanbul	F	28	82	Venice	S	23	73

S—Sunny. F—Fair. R—Rain. C—Cloudy

THE LEX COLUMN

Upward pressure on U.S. rates

Index fell 3.3 to 453.0

On Wall Street this week the expectation is that interest rates will move inexorably higher, with the Federal Funds rate likely to reach 8 per cent quite soon, while a general advance in bank prime rates to 9 per cent could be imminent. After a steady period in the early months of the year, when growth of the U.S. economy fell back temporarily, strong pressures have been building up in the credit markets. In the January-March quarter, for instance, M1 rose at an annual rate of 5.6 per cent, but in the past three months it has been rising at 11.3 per cent, way above the Federal Reserve's upper target rate of 6½ per cent. Following the winter lull, growth of the U.S. economy has picked up very rapidly, and demand for loans at the banks has soared. It is being said that the Fed, in raising its target interest rates, has only been following a path which market forces would have dictated anyway.

How far U.S. interest rates will rise in the months ahead is a subject that is being debated with increasing gloom. It is being pointed out that few cries of anguish have been heard from borrowers up to now, implying that rates will have to go significantly higher to produce the expected credit crunch. Moreover the American banking system is no longer dominated by the institutional devices, such as Regulation Q, which cut the tops off previous interest rate cycles. And the mortgage market is much less sensitive to high rates than used to be the case, a vital factor since in the past tight monetary policy has operated on the U.S. economy largely through the housing market.

The upward shift in U.S. rates has been a bearish background factor for the U.K. bond market: yesterday the FT Government Securities Index had fallen back to within 0.1 of the 1978 low of 68.78 reached on June 5. But UK rates are now significantly higher than those in the U.S., especially at the long end. With sterling more stable in the past few weeks there is a good chance that UK rates can resist an uptrend in the U.S.

Funding Pensions

Switching public sector pension schemes from a funded to a non-funded basis would be an extremely complex and time-consuming exercise. That much is clear from the Government Actuary's report to the Wilson Committee on the financing of occupational pension schemes. Whether that is an adequate justification for the existence of funds which are currently worth about £13bn (and growing at £2½bn a year) is another matter.

The Government Actuary argues that the key question is whether a nationalised industry is intended to be run on a commercial basis, similar to and in competition with the private sector. If it is, then its pensions ought to be funded; otherwise its financial results and pricing policy would be distorted. That is fine, so long as the scheme is properly funded and stands on its own two feet. But the argument does not apply to the Post Office, where pension liabilities have had a dramatic impact on reported profits, or to the Coal Board and British Rail, which have both received extra Government funds.

Security is not a real issue—postmen do not sleep better than firemen just because they have a funded scheme—and pay-as-you-go systems are perfectly capable of being adapted to demographic changes. When it comes to matters of the national interest, the existence of funded schemes does not by itself increase the volume of goods and services available to the community, and although pensions are a major source of long-term capital for industry, the fact is that the rate of capital formation in France (which has no funded schemes) has been higher than in the UK in recent years.

However funded pension schemes are so entrenched in the financial system that there is no possibility of them being challenged unless they become manifestly unworkable. The politicians may leap at the savings of £1½bn a year which could come initially if public sector schemes were no longer funded, but the only real threat to the fund managers is a prolonged period of high inflation.

Land Securities

The factors behind Land Securities' decision to discontinue its policy of capitalising development interest and o[illegible] outgoings still remain puz[illegible] despite yesterday's a[illegible] report to shareholders. [illegible] is gossip in the property [illegible]ment community tha[illegible] decision had something [illegible] with the directors' des[illegible] ward off future demands [illegible] substantial dividend in[illegible] Another suggestion is th[illegible] change may have been dict[illegible] by the group's need to [illegible] guard its tax position.

For its part, Land Secur[illegible] admits that the decision [illegible] made possible by the inc[illegible] in the level of net income [illegible] year and that expected in [illegible] future. It is also said to [illegible] consequence of the sc[illegible] curtailment of the gr[illegible] development activities in [illegible] years. As far as it goe[illegible] explanation is fair enoug[illegible] the directors' subsequent [illegible]ment that "should [illegible] stances materially alter [illegible] future the company ma[illegible] wish to consider reco[illegible]ing" capitalisation leaves Land Securities open to the charge that it is picking and choosing its accounting principles as occasion demands.

In fact, Land Securities claims that the switch does not amount to a material change of accounting basis, and is simply a matter of re-presentation. But this is debatable, since the figure being affected — and materially so—is the level of distributable earnings reported at £12.8m. On the old basis the figure would have been £16.6m.—a difference of 23 per cent. This chopping and changi[illegible] attracts no comment fro[illegible] auditors Price Waterhouse. Coming at a time when th[illegible] British Property Federation [illegible] trying to justify property com[illegible]pany accounting practices to the Accounting Standard Committee it is all rather u[illegible]fortunate.

Barclays/ITC

Barclays has decided to adop[illegible] a low-key approach ahead [illegible] its forthcoming shareholder meeting. The proposed £85[illegible] investment trust deal will rai[illegible] £85m cash in exchange for a [illegible] 14 per cent equity increase. From the letter to shareholde[illegible] it is clear that Barclays belie[illegible] the deal will be approved e[illegible] without any explanation be[illegible] offered of why the scheme [illegible] preferred to a rights issue. [illegible] no doubt Barclays has the [illegible] measure of its shareholders

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